

## GAS MARKET REVIEW CONSULTATION PAPER

15 AUGUST 2025

### EXECUTIVE SUMMARY

Thank you for the opportunity to make a submission to the Gas Market Review Consultation Paper. The EUAA have long advocated for significant changes to the domestic gas market to deliver better outcomes for Australian businesses and households. The Gas Market Review comes at a critical time for Australia's large commercial and industrial energy users as they deal with multiple threats, including the difficulty in sourcing competitively priced gas, offered on fair and reasonable terms.

After a period of uncertainty, there is now widespread support for a continuing role for gas in terms of both electricity generation and as an input to manufacturing industry that supply products consumers use every day. Unfortunately, the market has failed to supply gas at competitive terms and conditions despite well-meaning government intervention over many years, most recently with the Heads of Agreement and Mandatory Code.

We have the opportunity to try again to develop a regulatory framework that can stand the test of time, can be adaptive to future market changes and produce an outcome that appropriately balances the interests of both buyers and sellers.

The message from EUAA members is clear. The outcomes of this Gas Market Review must:

1. Establish a lasting policy and regulatory framework that is consistent with the long-term interests of consumers.
2. Deliver a domestic gas market that works for both buyers and sellers
3. Develop a unified intent and purpose of the ADGSM, HoA and Code of Conduct
4. Establish the basis for a government framework to support a material increase in domestic supply, transportation
5. Establish the basis for a prospective domestic gas reservation policy
6. Establish the basis for an LNG export licence in anticipation of existing LNG contracts beginning to expire from 2030 onwards

Achieving these outcomes will involve both a short term (immediate relief) package of policies that may have a specific sunset date and medium to longer term (structural reform) policies. The former will be more directly interventionist given the situation we now face. We also comment on what should not be done drawing on the lessons of the last two years.

It is a long-standing EUAA position that the foundation contracts that first underpinned east coast LNG facilities should not be interfered with. However, we recognise the role of the ADGSM which allows the Commonwealth to divert gas into the domestic market if they believe there is a serious threat to energy security or if they believe it is in the best interests of Australian energy users to do so. Once these foundation contracts begin to expire, a new domestic supply obligation must form the foundation of new export licences.

There is no shortage of low production cost gas on the east coast. The problem for domestic users is that it is mostly committed to the LNG market. Domestic users are forced to buy the higher cost, and hence priced, marginal gas supply rather than a price based on the average cost of production. We understand that much of this low cost gas would not have been developed without LNG projects. Nevertheless the core issue for Governments is the development of a long term sustainable regulatory framework that defines LNG producers social licence and facilitates supply of competitive gas to the domestic market from reserves that have a range of production costs.

Our suggested short and medium to longer term options for reform can be found in the following summary tables.

## OPTIONS FOR REFORM

Area of reform	EUAA Preference
Supply, security and trade	<p>Strong preference for fundamental reform in this area. In addition to the options provided in the consultation paper we suggest the following complimentary measures:</p> <ul style="list-style-type: none"> <li>• Align intent and language across the Code of Conduct, Australian Domestic Gas Security Mechanism (ADGSM) and Heads of Agreement (HoA) documents to remove loopholes and bring in a new objective of price to sit along-side supply.</li> <li>• Put in place limits on the ability of LNG producers to source gas from the third party domestic market to meet LNG contractual commitments.               <ul style="list-style-type: none"> <li>○ Immediately prohibit the purchase of gas on the spot market to meet an LNG exporter's Sales Purchase Agreements (SPA) commitments</li> <li>○ Immediately prohibit the ability of an LNG exporter to enter into new third-party contracts to supply gas to fulfil existing SPA obligations</li> </ul> </li> <li>• At the end of the foundational SPAs, implement an LNG Export Licence regime that includes a requirement that approval for any new SPAs would be subject to an export licencing regime similar in concept to that in place in other countries and it would apply for the term of the new SPA</li> <li>• This licencing would include an obligation for LNG producers to supply an agreed volume or percentage of the forecast east coast domestic demand; the basis of this obligation could include a volume or percentage relative to their export volumes, a percentage of LNG facility nameplate capacity, or percentage of the domestic gas market with all LNG exporters having an equal obligation.</li> <li>• To complement the existing Energy and Climate Change Ministerial Council (ECMC) work program on gas market reform:               <ul style="list-style-type: none"> <li>○ Continue improving the scope and timeliness of data on the contract gas market e.g. prices and terms agreed to be made available in one source updated at least monthly</li> <li>○ Work with the State Governments to enable timely expansion of the acreage covered by the Australian Domestic Market Supply Condition</li> </ul> </li> <li>• Federal Government provide a fast track approvals process for new gas exploration, production and supporting infrastructure such as pipelines and storage.</li> <li>• Federal Government granting of an offshore gas exploration permit includes a domestic supply obligation</li> <li>• The Federal Government to work with State Governments to require new onshore gas exploration permits to include a domestic supply obligation. Specific</li> </ul>

	<p>conditions must be developed to clearly identify what “new” development means. In addition to newly approved acreage, this could include any gas that was not part of foundation LNG contracts or new wells with existing acreage.</p> <ul style="list-style-type: none"> <li>• Federal Government to provide underwriting or other means of support, as appropriate and in the interests of domestic gas users, for:           <ul style="list-style-type: none"> <li>○ The development of gas reserves by small producers</li> <li>○ New or expanded pipeline infrastructure, including APA’s expansion of the pipeline capacity from Queensland to southern States</li> <li>○ New or expanded storage facilities, including the extension of Victorian gas storage capacity and the availability of other storage options eg Moomba to assist domestic supply particularly in winter months</li> </ul> </li> </ul> <p>This underwriting would be subject to repayment conditions on those receiving the support</p> <ul style="list-style-type: none"> <li>• Inclusion of clear use it or lose it requirements on unused acreage to avoid economic warehousing of gas reserves.</li> </ul>
Contracting and bargaining power imbalances	<p>Strong preference for fundamental reform in this area. In addition to the options provided in the consultation paper we suggest the following complimentary measures:</p> <ul style="list-style-type: none"> <li>• Mandated standard Gas Supply Agreements (GSA) terms for price offers including a price range or price guide and information on how price changes with changes in non-price terms</li> <li>• Producers to respond to buyer Expression of Interest (EOIs) if they have gas that has not yet been committed for sale</li> <li>• Require a market maker obligation on large gas producers and sellers to enhance long term liquidity and contracting</li> <li>• Explore options to enable buyers to source longer contract terms to underpin their own investment decisions</li> <li>• The ACCC’s compliance role to provide more explicit guidance to the market on what sellers are able to do without breaching Government regulations eg responding to buyer EOIs</li> </ul>
Market transparency	<p>Strong preference for fundamental reform in this area. The goal must be to improve transparency and facilitate genuine price discovery. In addition to the options provided in the consultation paper we suggest the following complimentary measures:</p> <ul style="list-style-type: none"> <li>• Inclusion of a price range in all producer EOI’s in the same way as the real estate industry is required to do so to reduce information asymmetry</li> <li>• Enhance the AEMO Gas Bulletin Board (GBB) to include a ‘one stop’ source for           <ul style="list-style-type: none"> <li>○ spot market trades</li> <li>○ a weekly de-identified summary of all GSA’s executed in that week including price, quantity and term to be lodged by the seller</li> <li>○ any other information that supports increased transparency including the new Short Term Projected Assessment of System Adequacy (ST PASA) and Medium Term PASA (MT PASA) information</li> <li>○ data on production cost estimates including the costs developed as part of AEMO’s GSOO</li> <li>○ a model for this could be the US Energy Information Administration’s Natural Gas data base</li> </ul> </li> </ul>
Pricing	<p>The key issue for EUAA members is the delinking of domestic pricing from LNG netback pricing which was a key aim of the Code.</p>

	<p>EUAA are not able to nominate what an “acceptable price” is as that will differ from member to member. We do note that the Federal Government may need to apply some degree of price control, especially during the period where medium to long-term reforms are being put in place. We will leave it to Governments acting on ACCC advice to decide these matters.</p> <p>EUAA members are very concerned about the potential impact of LNG import terminals on domestic gas price and work against delinking domestic and international prices. If the government does decide to support imported LNG then the costs of that support should be borne by the Government and not gas users.</p>
Efficient wholesale markets	Strong preference for fundamental reform in this area. We understand that members will be making specific comments in their own submissions on their experience in operating in the wholesale market.

## INTRODUCTION

The Energy Users’ Association of Australia (EUAA) is the peak body representing Australian commercial and industrial (C&I) energy users. Our members are the engine room of the Australian economy, producing many of the products that households and business use every day including bricks, glass, steel, cement, aluminium, paper, fertilisers, explosives, food and beverages. Combined, our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Thank you for the opportunity to make a submission to the Gas Market Review Consultation Paper. The EUAA have long advocated for significant changes to the domestic gas market to deliver better outcomes for Australian businesses and households. The Gas Market Review comes at a critical time for Australia’s large commercial and industrial energy users as they deal with multiple threats, including the difficult in sourcing competitively priced gas, offered on fair and reasonable terms.

After a period of uncertainty, there is now widespread support for a continuing role for gas in terms of both electricity generation and as an input to manufacturing industry that supply products consumers use every day. Unfortunately, the market has failed to supply gas at competitive terms and conditions despite well-meaning government intervention over many years. After being convinced by LNG developers that exports would not adversely impact on domestic users, the last 10 years has seen a progression of government policies playing catch-up as they try to address these adverse impacts. None have had an enduring positive impact.

We have the opportunity to try again to develop a regulatory framework that can stand the test of time, can be adaptive to future market changes and produce an outcome that appropriately balances the interests of both buyers and sellers.

The message from EUAA members is clear. The outcomes of this Gas Market Review must:

1. Establish a lasting policy and regulatory framework that is consistent with the long-term interests of all gas consumers:
  - a. Large industrials who rely on gas and gas derivatives for both heat and feedstock and their decarbonisation policy
  - b. Residential and small business gas users, and

- c. Gas powered generation (GPG) as it transitions to a critical firming role as part of a reliable and affordable energy market dominated by Variable Renewable Energy (VRE)
2. Deliver a domestic gas market that:
  - a. Provides appropriate incentives for the development of new gas producing fields to supply domestic customers
  - b. Is well-supplied with sufficient liquidity, has multiple participants competing for buyers, is transparent and has genuine price discovery for a price that is not linked to LNG netback. This must lead to a domestic gas market that enables gas users to negotiate a Gas supply agreement (GSA) on terms and conditions that allow domestic industry to regain and sustain its international competitiveness, puts downward pressure on electricity prices and enables affordable consumer prices for products that have gas as a major input
  - c. Addresses the export v domestic supply challenge including the opportunity to use spot cargoes to provide immediate domestic supply improvements.
3. Develop a unified intent and purpose of the ADGSM, HoA and Code of Conduct to ensure a consistent national approach including aligning intent and language to remove loopholes and increase clarity. Consideration should be given to combining these elements, and others as necessary, into a single mechanism to drive better outcomes for domestic gas users.
4. Establish the basis for a government framework to support a material increase in domestic supply, transportation and storage to rapidly deliver more gas to domestic consumers that is consistent with work being directed by the ECMC
5. Establish the basis for a prospective domestic gas reservation policy with a view to including domestic supply obligations as part of renewed LNG export agreements and as a condition of foreign ownership of Australian resources.
6. Establish the basis for an LNG export licence in anticipation of existing LNG contracts beginning to expire from 2030 onwards

It is a long-standing EUAA position that the foundation contracts that first underpinned east coast LNG facilities should not be interfered with. However, the Commonwealth may be left with little choice than to divert gas into the domestic market if they believe there is a serious threat to energy security or if they believe it is in the best interests of Australian energy users to do so. Once these foundation contracts begin to expire, new domestic supply obligation must form the foundation of new export licences.

Finally, we note with great interest recent consumer research conducted by Redbridge on behalf of the APGA that showed 86% of Australians support domestic gas reservation.<sup>1</sup> The most surprising thing about this is not the result, which is to be expected, it's that we still don't have a domestic reservation scheme despite 10 years of gas market debate.

## BACKGROUND

The path over the last 20 years has been long and winding road for domestic gas consumers. When the prospect of LNG exports became real, domestic users expressed concerns about the impact that exports, at international prices, would have on the availability and price of gas for domestic users who had invested in manufacturing capacity on

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<sup>1</sup> <https://www.afr.com/policy/energy-and-climate/steam-out-their-ears-australians-fired-up-about-gas-exports-20250725-p5mhqs>

the expectation of prices below \$4/GJ. it is useful to review some history, so we know why we got to where we are. A more detailed review of some of the issues raised here is in the Appendix.

At the time, Government and company announcements of LNG projects focussed on the level of investment, job creation and royalty revenue from LNG projects<sup>2</sup>. In its 2009 Annual Report<sup>3</sup> the Santos CEO said (p.7):

*“There is sufficient natural gas in eastern Australia to meet domestic needs and, at the same time, build a new LNG export industry on the east coast.”*

The Queensland Government released its LNG Blueprint in 2009<sup>4</sup> with a small section on ‘Maintaining Queensland’s domestic gas supply’ that noted, given:

*“...total recoverable reserves could be in the order 250,000 PJ. A gas resource of this size would, in all likelihood, be sufficient to meet both domestic supply needs and the needs of an LNG export industry for many decades.”*

While there were concerns about availability of gas for domestic customers, the Queensland Government decided to not introduce domestic reservation.

The complaints from EUAA members about the price and availability of gas for domestic use eventually led to the Government directing the ACCC to produce its regular gas reports that have provided much needed transparency about the difficulties large users are having in obtaining gas on terms that allow them to sustain and expand their operations and remain internationally competitive.

The ADGSM was introduced in 2017 but this provided little assistance to domestic consumers. Then the Heads of Agreement and Code, (first voluntary, then mandatory – our first preference) came along trying to fix the gaps.

It is now clear that, despite the best intentions of the Federal Government, they did not achieve the desired outcomes.

## Observations of the Mandatory Code

The purpose of the Mandatory Code was to<sup>5</sup>:

*“...ensure adequate supply of wholesale gas to the domestic market at reasonable prices and on reasonable terms.”*

Here are our views on why this purpose has not been fulfilled.

<sup>2</sup> E.g. Queensland Premier - <https://statements.qld.gov.au/statements/60713>

Santos - <https://www.santos.com/news/glng-project-sanctioned/#:~:text=Santos%20today%20announced%20that%20the,LNG%20plant%20facilities%20at%20Gladstone>

<sup>3</sup> [https://www.santos.com/wp-content/uploads/2020/02/2009\\_annual\\_report.pdf](https://www.santos.com/wp-content/uploads/2020/02/2009_annual_report.pdf)

<sup>4</sup> <https://cabinet.qld.gov.au/documents/2009/Aug/LNG%20Impacts%20Review/Attachments/LNG%20Industry.pdf>

<sup>5</sup> <https://www.accc.gov.au/business/industry-codes/gas-market-code>

## 1. Domestic prices have not been delinked from international prices

There are numerous statements from Government Ministers saying that a prime objective of the Code was to delink domestic from international prices<sup>6</sup>.

Yet every 'large' producer that has domestic gas to sell has been granted a conditional exemption to the reasonable price (\$ (2022)12/GJ) clause<sup>7</sup>. All 'small' producers have an automatic exemption if they commit to supply the domestic market. It seems all or almost all producers have an exemption from the reasonable price conditions<sup>8</sup>.

Large producers were granted exemptions in return for enforceable supply commitments to provide additional gas to the market in agreed timetable – though there were many caveats that mean supply is generally not guaranteed. Apparently a total of 564PJs of commitments have been made under the conditional ministerial exemptions but the details are redacted, and we have no transparency around when that gas will become available apart from the ACCC latest gas report saying it will not start to be available until sometime in 2026<sup>9</sup>. We also have no transparency around the advice to the Minister on how this level of commitments would enable the delinking of domestic from international prices.

Once a large producer obtained the exemption, while they may have been obliged to *offer* uncontracted gas to the domestic market, they can, under Clause 3 of the Heads of Agreement, offer it at LNG netback and were not forced to sell. If no domestic buyer is willing to pay LNG netback then the gas can be sold as spot. All this under a Heads of Agreement that is designed to prevent a gas supply shortfall through:

*"...access to secure and competitively priced gas for the East Coast domestic market."*

which seems to work directly against the Code objective of delinking domestic and international prices. The Code exemptions, the Heads of Agreement definition a 'competitive price' and the absence of the promised additional gas have collectively ensured prices to be at or near LNG netback pricing since the Code came into effect as shown in successive ACCC Gas Reports.

[Australian domestic buyers are not paying LNG netback pricing, they are paying for a gas price floored at the reasonable price determined by the ACCC and uncapped if LNG netback pricing increases. In 2020, the LNG netback price fell to very low levels, with the ACCC calculating a price of \$2.29/GJ in July 2022. Yet at that time, not a single domestic buyer was offered gas supply at low prices. In 2022, the LNG netback price skyrocketed, and gas suppliers repriced their gas to align with LNG export parity. These extreme pricing scenarios that have occurred in recent years has vividly shown the high degree of market power held by a few gas producers]

## 2. GLNG third-party purchases to meet its LNG supply commitments have taken considerable supply out of the domestic market

The GLNG JV has a significant shortfall in equity gas available to meet their SPA obligations. This has required purchases from the very tightly supplied domestic market:

<sup>6</sup> E.g. <https://minister.dcceew.gov.au/bowen/media-releases/responsible-and-meaningful-action-gas-prices> and <https://minister.dcceew.gov.au/bowen/speeches/speech-aig-industry-meets-canberra-dinner>

<sup>7</sup> <https://www.accc.gov.au/public-registers/gas-registers/conditional-ministerial-exemptions-for-gas-suppliers>

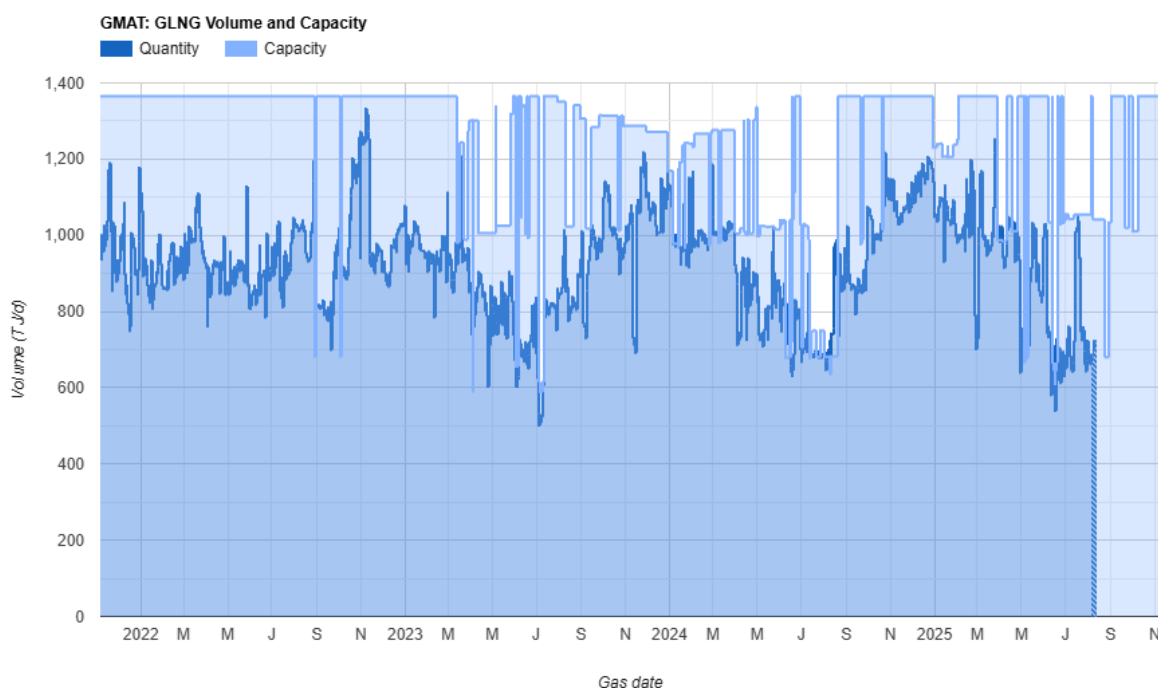
<sup>8</sup> <https://www.accc.gov.au/public-registers/gas-registers/small-gas-supplier-exemptions-register>

<sup>9</sup> See p. 7 <https://www.accc.gov.au/system/files/gas-inquiry-interim-june-2025.pdf>

PJ	2020	2021	2022	2023	2024	2025 (half year)
GLNG third party purchases <sup>10</sup>	119	125	102	102	122	65
Total east-cost domestic consumption <sup>11</sup>	575	551	565	510	511	

To further emphasise this issue and to provide greater granularity on LNG export performance, the following chart shows how GLNG is significantly underperforming due to lack of gas compared to other LNG exporters. Its average output (dark line) is significantly below the available capacity (top line)<sup>12</sup>.

EUAA members are constantly left wondering why they are suffering the consequences of decisions by equity holders to give the project sanction without sufficient equity gas supply or operational issues with one exporter.



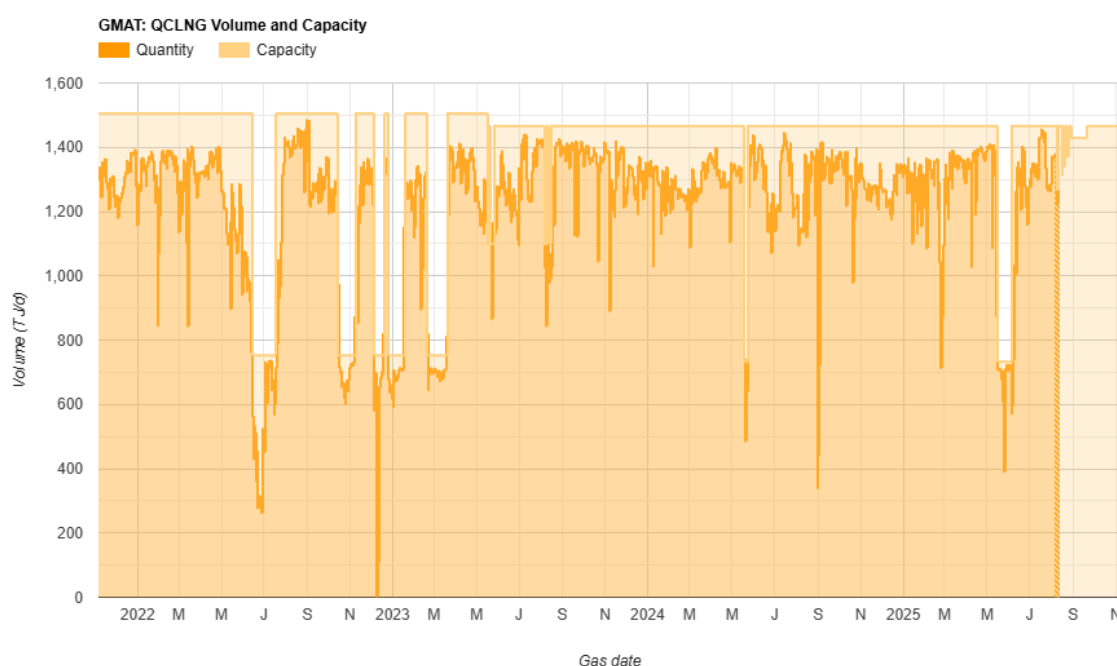
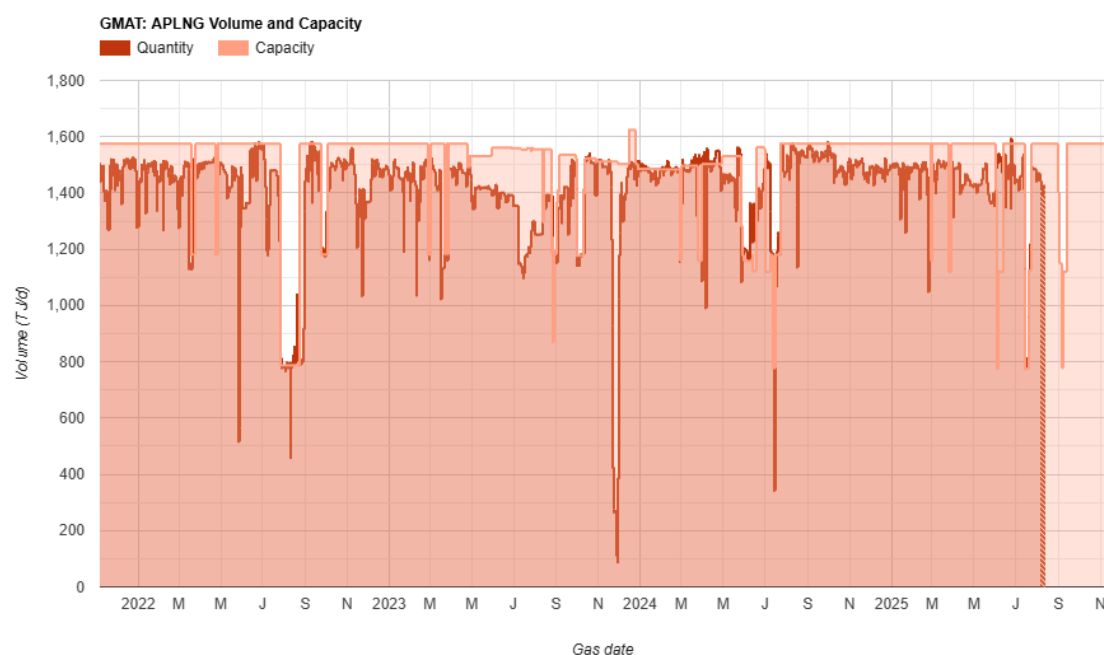
The capacity utilisation of the APLNG and QCLNG projects are much higher.

<sup>10</sup> Quarterly Reports <https://www.santos.com/investors/company-reporting/>

<sup>11</sup> See Appendix A.1 [https://aemo.com.au/-/media/files/gas/national\\_planning\\_and\\_forecasting/gsoo/2025/2025-gas-statement-of-opportunities.pdf?la=en](https://aemo.com.au/-/media/files/gas/national_planning_and_forecasting/gsoo/2025/2025-gas-statement-of-opportunities.pdf?la=en)

<sup>12</sup> <https://www.energyedge.com.au/products/gas-market-analysis-tool-gmat/>





The June 2025 ACCC Gas Report highlighted the significant net domestic purchases GLNG will have to make in the future, particularly from 2029 – forecast 775PJ out to 2036<sup>13</sup>.

This effectively means that without some fundamental reforms, domestic gas users will continue to compete directly against large international gas buyers, many of whom are owned by governments and many of whom are prepared and are able to pay significantly higher prices.

<sup>13</sup> See Chart 4.1 p. 62 <https://www.accc.gov.au/about-us/publications/serial-publications/gas-inquiry-2017-30-reports/gas-inquiry-june-2025-interim-report>

### 3. Gas contracts have not been made available on reasonable non-price terms

The June 2025 ACCC report noted (pp. 105-6):

*“Another stated objective of the regulatory measures is to enable domestic users access to gas on reasonable terms. Consistent with what we have observed in prior reports, producers continue to offer limited volume flexibility under long-term GSAs.*

...

*Consistent with observations made in earlier engagement processes, a number of gas buyers stated that non-price terms, such as take or pay and load factor flexibility, have deteriorated. A few gas buyers further observed that flexibility in non-price terms now come at a ‘premium’... A number of gas buyers also noted that the permitted interruption provisions in some GSAs were also deteriorating.”*

An example of this retreat from ‘reasonable’ terms is Chart E.2.2 (p. 133) shows the continual fall in average C&I GSA term since 2019. The average C&I contract term for so-called ‘long-term GSAs’ fell from 3-4 years in 2019-2020 to just over one year in 2024.

### 4. The bargaining power imbalance faced by gas buyers continues

The June 2025 ACCC Gas Report noted (pp.107-8):

*“The Gas Code includes a number of conduct related provisions that were intended to try and improve producer selling practices and reduce the imbalance in bargaining power faced by gas buyers.”*

This was to be achieved through imposing an obligation on producers and gas buyers to negotiate in good faith for agreements of any supply term and requiring producers to comply with minimum standards for EOIs, offers, negotiations and agreements with a supply term of 12 months or more. The ACCC’s Gas Report conclusions following a review of producers selling practices and buyer bargaining power since the Gas Code was implemented leads to the conclusion that the power imbalance remains and sellers are able to exercise their market power<sup>14</sup>:

#### **Lessons learnt. What we shouldn’t do.**

There have been some important lessons learnt over the last 2 years of the Gas Code operation which gives us clear signals of what we need to do but also what we should not be doing. On the latter, the EUAA suggest we avoid the following:

- Any process or procedure that is detrimental to transparency such as redacting large sections of the Ministerial Exemptions under the code or continuing to allow the conditions by which sellers can exercise market power through a blind auction process. Allowing the current opaque conditions to continue will be highly detrimental to developing a mature domestic gas market that is fair for all parties.
- Approaches that undermine the competitively priced energy advantage Australian industry used to enjoy.
- Policies that favour international customers over Australian customers. There is a reasonable expectation that Australian citizens should enjoy the benefits and competitive advantages of our energy resources, not have that benefit used against us.

<sup>14</sup> See the discussion in Chapter 5 of the June 2025 report <https://www.accc.gov.au/system/files/gas-inquiry-interim-june-2025.pdf>

- The Government or any Government entity or market body e.g. AEMO, supporting LNG imports. If financial assistance and/or underwriting is part of a government response it should be directed at developing domestic reserves, on-shore transfer capacity and southern storage
- Ignore the potential competition benefits of assisting smaller gas producers to independently contract gas in the domestic market.
- Ignore the material barriers that the current planning and approvals system creates for further exploration and production of gas.
- LNG imports which would be an admission of failure in domestic gas market policy

It is with this history we now turn to our response to the consultation paper questions.

## RESPONSE TO CONSULTATION PAPER QUESTIONS

Following are our responses to the questions asked in the consultation paper. The responses to these questions and our recommendations for reform are based on:

- Irrefutable evidence collected by the ACCC as reported regularly as part of their ongoing Gas Inquiry work, the most recent of which was released on 30 June 2025<sup>15</sup>. The data and market information collected as part of this ongoing inquiry comes from actual gas production and contract information provided to them by producers and first-hand evidence of contract and negotiation experiences of gas buyers.
- Available gas market data from central bodies such as AEMO and the AER along with reports made publicly available by gas producers and other analysis by external parties.
- The first-hand experiences of our member companies as they seek to secure affordable, reliable gas supply on fair and reasonable terms and conditions.
- Our own observations over the past 20 years including our direct experience in helping to develop the first voluntary gas industry code of conduct and subsequent involvement in the mandatory gas industry code of conduct.

### Supply, Security and Trade

More supply alone or ensuring the market has “sufficient supply” will not guarantee better price outcomes for consumers. Even if there is excess gas potentially available, if a majority of that supply continues to be controlled by LNG producers where information asymmetry exists between buyers and sellers and where there is little incentive to offer prices that are materially below the sellers alternative (as provided for under the HoA), then prices at or close to LNG netback are inevitable.

Where LNG producers dominate, supply prices will only fall below LNG netback if LNG export terminals are operating at maximum capacity (meaning the sellers next alternative is the domestic market) and there is a range of non-LNG producers offering gas to the market.

### Evaluate

Consultation Question	EUAA Response
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<sup>15</sup> <https://www.accc.gov.au/media-release/deteriorating-short-term-outlook-for-east-coast-gas-supply>

<p>How effective are the existing instruments in ensuring sufficient supply of natural gas for Australia's domestic market, including impacts on the exploration and development of new gas resources and infrastructure? Please provide detail.</p>	<p>The ADGSM, Code and HoA have been reasonably effective at ensuring sufficient domestic supply on a short-term basis, primarily as a reaction to AEMO's GSOO, regular ACCC reporting of potential shortfalls and the threat of sanctions under the ADGSM if supply is not forthcoming. While ensuring sufficient supply, this regular ongoing situation of "is there enough gas or not" creates a very tight market as well as buyer uncertainty where supply and demand is always finely balanced and where a majority of bargaining power is still in the hands of sellers.</p> <p>The ad-hoc, just in time nature of these mechanisms does not provide long-term security of supply for large commercial and industrial customers and does not facilitate longer-term contract negotiations.</p> <p>Unlike other LNG exporting nations, Australia has failed to implement even the mildest of protections for domestic east coast gas users and the domestic economy more generally<sup>16</sup>. This despite the fact that Western Australia has in place a domestic reservation policy that has seen gas prices in that state well below east coast gas prices over the last 8 years<sup>17</sup>.</p> <p>Ensuring sufficient supply is not just about the availability of the commodity. It is also about the availability of the commodity at the required locations at the time it is needed. It is one thing to get the gas at Wallumbilla, but, given the past constraints on developing new gas supply in Victoria and NSW, constrained north-south pipeline capacity is starting to have a growing negative impact on sufficient supply being available in southern States.</p> <p>Given the negative impact on domestic prices of LNG imports, the Federal Government needs to consider how it might ensure increased supply to the southern States where domestic production has been severely lacking in recent years.</p>
<p>Have the instruments affected the competitiveness of Australia's LNG export industry, investment reputation or international reputation for quality and reliability? If yes, please provide detail.</p>	<p>We understand that a degree of uncertainty exists as regulators, governments, producers and domestic gas users strive to develop a market that delivers prices that help domestic industry recover the comparative advantage of low-cost energy. However, we find it difficult to comprehend that policy and regulation that applies to a small portion of an overall gas portfolio, which continues to be dominated by exports and where long-term contracts are not impacted, has the negative impact that is claimed. We see other issues such as an onerous planning system and lack of community social licence as significant issues impacting the gas supply industry.</p> <p>The Federal Government may be left with little choice than to use the ADGSM to divert gas into the domestic market if they believe there is a serious threat to energy security or if they believe it is in the best interests of Australian energy users to do so.</p> <p>We also note a recent report by IEEFA that highlights that significant quantities of Australian gas are being re-sold by our major gas trading partners. EUAA members find this situation, where gas that could be used to further our national interest is being used by others to make opportunistic gains on international markets, to be</p>

<sup>16</sup> Aside from some domestic leases in Queensland which have proven to deliver satisfactory outcomes for producers and customers alike.

<sup>17</sup> <https://www.afr.com/policy/energy-and-climate/australians-are-upset-about-gas-prices-this-chart-shows-why-20250609-p5m5wy>

	entirely unacceptable while also demonstrating that the security supply concerns of these trading partners may not be as acute as claimed. <sup>18</sup>
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## Reform

<i>Consultation Question</i>	<i>EUAA Response</i>
How might the instruments be improved to better achieve the Review's objective?	<p>Strong preference for fundamental reform in this area.</p> <p>Align intent and language across the Code of Conduct, ADGSM and Heads of Agreement to remove loopholes and bringing in a new objective of price to sit alongside supply. This may be best achieved by incorporating all three elements into a national gas security framework that seeks to ensure the domestic market enjoys an abundance of gas for heat and feedstock, that it is supplied at a price that allows domestic industry to remain competitive, provides cost of living relief for households and ensures sufficient supply of affordable gas for gas fired power generation as a key piece of the transition to net zero.</p>
Are there alternative policies that would secure gas for Australian consumers while maintaining a strong LNG export industry? If so, please provide detail regarding anticipated effect these policies would have, how they should be applied, and how they should interact with existing instruments and policies?	<p>Domestic reservation in Western Australia and the release of domestic tenements in Queensland have demonstrably delivered better outcomes for domestic consumers without the disastrous outcomes of these policies claimed by some.</p> <p>The EUAA are of the view that a prospective reservation policy should be pursued as a medium to long-term supply solution, supported by other actions that includes use it or lose it provisions and obligations from LNG shippers to make an equal net supply commitment to the domestic market. These commitments should be a minimum condition of a new export licence that clearly sets out the responsibilities of LNG shippers to the domestic gas market.</p> <p>It must be recognised that many of the reform options being discussed are likely to take some time to bed down and take effect. This period, potentially 3-5 years, represents a period of extreme risk that domestic gas users will need to navigate. Failure to navigate this period could well lead to demand destruction as more large users close.</p> <p>Therefore, to avoid demand destruction during this period we suggest governments consider a range of temporary measures that would have a specific sunset date to be removed based on agreed criteria for judging the success of the broader reform agenda. These temporary short-term measures could include:</p> <ul style="list-style-type: none"> <li>• price controls based on an ACCC advice on a 'reasonable price'</li> <li>• direction of spot LNG cargoes and potential restriction of future third-party purchases of gas.</li> <li>• financial assistance for impacted industries (potentially targeting specific industries already identified by governments)</li> <li>• support for new entrant and second tier gas producers to bring more gas to the domestic market.</li> <li>• price support via government having a role as a market aggregator and market broker</li> </ul>

<sup>18</sup> <https://ieefa.org/resources/how-japan-cashes-resales-australian-lng-expense-australian-gas-users>

	Ultimately the method of short-term support will be a decision of governments and we would welcome further discussions to assess options, likelihood of success and clear sunset provisions under which temporary measures can be removed.
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## Contracting and Bargaining Power Imbalances

It is very clear that buyers continue to suffer from extreme bargaining power imbalances and an opaque market. This situation must be addressed as a matter of highest priority.

### Evaluate

<i>Consultation Question</i>	<i>EUAA Response</i>
Has the Expression of Interest (EOI) and offer process in the Code and HoA respectively been effective? a. To what extent have these instruments helped address bargaining power imbalances? b. Have these instruments produced any unintended consequences?	a. Despite the best intentions of these measures, they have been ineffective in addressing bargaining power imbalances due to the lack of market transparency and bargaining power of sellers. Producer led EOI's and the "blind reverse auction" process are still common problems for buyers. We are aware of a few notable exceptions, but they are few and far between. Sellers and some buyers have also stated that the prescriptive nature of these arrangements and the threat of legal action has slowed down the EOI process due to perceived risk. b. Many producers have claimed the code EOI requirements have created a compliance risk which has resulted in a reluctance to engage with buyers, especially for arrangements that would extend beyond the current code timeframe. Sellers also state they believe the code EOI process prohibits them from engaging in buyer initiated EOI processes, this despite assurances that this is not the case.
Have existing instruments impacted your ability, either positively and/or negatively, to secure long-term contracts?	Given the reaction of sellers (as per above) many EUAA member companies report that contracting beyond 12 months has been extremely difficult. The exception has been a few instances of a "blend and extend" <sup>19</sup> agreement being put in place, but this has predominantly occurred via a gas retailer.

### Reform

<i>Consultation Question</i>	<i>EUAA Response</i>
How might the HoA and Code EOIs and offer processes be improved? Potential improvements could include price guidance and feedback being required from producers or exempting buyer-led EOIs from the Code. a. How might this impact EOI processes? Please provide detail.	Strong preference for fundamental reform in this area.  Ultimately, the most effective way to improve the EOI process for buyers is to have a more transparent market, with increased availability of gas from a larger number of sellers. In other words, a competitive market that delivers outcomes that allow Australian industry to remain or regain competitiveness.  In the absence of a competitive market, the HoA and Code EOI's and offer processes themselves would benefit from clearer guidance on what is acceptable and what is not, including the role of buyer led EOI processes. Exempting these buyer-led EOI's from the Code may reduce the sellers perceived risk but we are unsure if sellers will engage in any case as their preference will always be to run their own EOI process and

<sup>19</sup> Blend and extend arrangements involve a seller and buyer agreeing to extend an existing contract before its expiration date and "blend" the price in the existing contract with a forward price. This is used as a risk mitigation tool by both buyers and sellers to guard against sudden price movements at the time the original contract would have been up for renewal

	<p>a market where they largely manage supply. One option available here could be to include “market maker” provisions eg</p> <ul style="list-style-type: none"> <li>○ to enhance longer term liquidity and contracting and</li> <li>○ a requirement to respond to seller led EOI’s of a certain quantity (i.e. minimum contract volume). This could be included as part of a proposed export licence that would sit along-side domestic supply requirements (i.e. not only supply gas but to participate in EOI processes).</li> </ul> <p>There is also a potential for the ACCC’s compliance role to provide more explicit guidance to the market on what sellers are able to do without breaching Government regulations eg responding to buyer EOIs.</p>
<p>Do you consider buyer negotiating positions would improve with a standard Gas Supply Agreement (GSA) template that provides guidance or optionality on non-price terms as a reference for negotiations? Please provide detail.</p> <ol style="list-style-type: none"> <li>What non-price terms would benefit from standardizing?</li> <li>What are the benefits of standardizing terms and conditions?</li> <li>What are the barriers in adopting a standardized GSA?</li> </ol>	<p>EUAA member companies are not in favour of more standardised GSA’s and would rather reform that increases supply, decreases market power and dramatically improves transparency.</p> <p>A degree of guidance on what represents fair and reasonable GSA terms would help educate and instruct buyers without necessarily making it a requirement.</p>

## Transparency

The domestic gas market continues to be opaque with a vast majority of gas being transacted via bi-lateral GSA’s.

While the domestic electricity market does have confidentiality around specific PPA terms and conditions, those contracts are informed by a very high level of transparency in the National Electricity Market where all energy is effectively cleared every 5 minutes via a “gross pool”. The regular ACCC gas market enquiry reporting continues to be the primary form of price discovery in the domestic gas market.

This information, while valuable, is still only available every three months with the latest data in those quarterly reports referring to market negotiations three months previously. This is too late to have any meaningful impact on current GSA negotiations. Spot markets do provide some more contemporary price guides, but the market generally lacks sufficient liquidity and lacks a forward price curve that can be used in long term GSA negotiations.

## Evaluate

Consultation Question	EUAA Response
What are your key sources of supply and pricing information	The regular ACCC gas market enquiry reporting continues to be the primary form of price discovery in the domestic gas market. This information, while valuable, is

(both from market bodies or elsewhere)?	<p>provided 3 months after the end of the period after the contracts/trades have been conducted and as such has a limited impact on current GSA negotiations.</p> <p>The AEMO Gas Bulletin Board<sup>20</sup> and Data Dashboards provide useful information on production, pipeline capacities and storage, much of this is historical and is designed more to assess overall gas supply and transport sufficiency and is therefore of little help to a buyer entering into a GSA negotiation.</p> <p>Short Term Trading Markets (STTM) in NSW, SA and QLD, along with the Declared Wholesale Gas Market (DWGM) in Victoria provide information on spot sales, these markets generally lack liquidity and are a poor guide to contract prices achievable by buyers.</p>
What impact would more transparent or more timely information have on the supply of gas to the domestic market? How does this impact LNG operations?	<p>One of the key features of a well-functioning market is transparency and that sellers and buyers have access to relevant information (i.e. volume, timing to market, price) in timely manner. The domestic gas market displays <u>few</u> of these features outside of short-term spot markets, to the detriment of all gas users.</p> <p>We have seen no evidence to indicate that providing this basic information to all domestic gas market participants would have a detrimental impact on LNG operations given most LNG volumes are already highly contracted and spot LNG cargoes are responding to demand/supply conditions in international markets.</p>
How transparent are shortfall determination processes under the instruments, and in particular under the ADGSM?	<p>There is very little transparency, including arrangements leading up to the potential triggering of the ADGSM which usually hinges on a warning by AEMO and/or the ACCC of a potential shortfall. Once this is known by suppliers, we magically see gas being “found” to meet the shortfall. This leads one to conclude there is no genuine shortfall of gas, just an apparent withholding of gas to create urgency in contracting and increasing of prices demanded.</p> <p>This behaviour is viewed by many gas users as suppliers manipulating the ADGSM to create a perpetual “ghost shortfall” to maximise their already considerable bargaining power.</p>
Are you aware of uncontracted gas information and EOIs hosted on gas producer websites? If yes, please provide detail.	<p>Yes in the case of APLNGs EOIs <a href="#">here</a> and Walloons <a href="#">here</a>.</p> <p>Members note that it would be helpful for EOI information to be consolidated, perhaps on the Bulletin Board and allow people to register to be notified of a new EOI that is published, so potential buyers have a single source to obtain information.</p>

## Reform

<i>Consultation Question</i>	<i>EUAA Response</i>
What changes are required to ensure you have sufficient access to market information (e.g., more real time price information, available supply, contract terms	<p>Strong preference for fundamental reform in this area.</p> <p>The goal must be to improve transparency and facilitate genuine price discovery. The first step would be to build on the existing AEMO Gas Bulletin Board as a ‘one stop’ source for:</p> <ul style="list-style-type: none"> <li>○ spot market trades</li> </ul>

<sup>20</sup> <https://aemo.com.au/energy-systems/gas/gas-bulletin-board-gbb> - “The Gas Bulletin Board (GBB) provides up-to-date gas flow information. It covers all major gas production fields, major demand centres and natural gas transmission pipelines.”



etc.) to make informed procurement decisions?	<ul style="list-style-type: none"> <li>○ a weekly de-identified summary of all GSA's executed in that week including price, quantity and term (including commencement date and other relevant information to improve transparency) to be lodged by the seller.</li> <li>○ any other information that supports increased transparency including the new Short Term Projected Assessment of System Adequacy (ST PASA) and Medium Term PASA (MT PASA) information</li> <li>○ data on production cost estimates including the costs developed as part of AEMO's GSOO</li> <li>○ a model for this could be the US Energy Information Administration's Natural Gas data base<sup>21</sup></li> </ul> <p>In addition, we recommend that a new requirement should be placed on all gas sellers to include an indicative price range in EOI's in the same way real estate agents must supply a price guide to address unfair selling practices.</p>
What are the tradeoffs that come with closer to real time price transparency to the market?	Provided the information is deidentified in the Enhanced GBB we see no downside other than sellers giving up market power. The upside is a better informed and therefore fairer market for all participants.
Would consumers and/or producers support an information sharing arrangement whereby GSAs are reported in close-to-real-time to the AER (rather than waiting for an information order)? Please provide detail.	Yes. We envisage a fundamental reform to the operation of the domestic gas market, not simply an improved reporting framework, which would be welcomed by gas buyers none the less.

## Pricing

We will not be providing a view on an acceptable price or price range in this submission, primarily due to the fact that member companies have very different tolerances to what is an acceptable price and what is not.

Some member companies are highly sensitive to the price/cost of key inputs such as gas for both heat and feedstock as they are exposed to competition from imports or are exporting to markets where input costs are lower. This impacts profitability in the short term and survivability in the medium-term.

Other member companies are less sensitive as they have an ability to pass through higher input costs to their end consumer, but this also has its limits<sup>22</sup>. In these case, households and business supplied by these members are put under increasing cost of living pressure.

All consumers feel this cost pressure in three ways. First when they open their gas bill, and second when the stand at the supermarket checkout and third when they pay their electricity bill.

## Evaluate

<sup>21</sup> <https://www.eia.gov/naturalgas/>

<sup>22</sup> The ability to pass through higher costs differs from business to business. For most there is a limit to the amount of costs they can pass through before they become uncompetitive against imported goods, this is a very real issue in food, beverage, paper, fertiliser and explosives industries. Even where there is no direct threat of imports, these increased costs continue to have a negative impact such as increased cost of housing or public infrastructure.

Consultation Question	EUAA Response
<p>Has the Code's reasonable price mechanism been effective at reducing gas prices? Please provide your observations.</p> <p>a. Does the current reasonable price (set at \$12/GJ excluding transport costs) reflect actual supply and demand conditions? Please provide detail.</p> <p>b. Has price volatility reduced or increased under the instruments? Please provide detail.</p> <p>c. Does the reasonable price support competition in Australia's gas markets? Please provide detail.</p>	<p>No, because all producers have gained a conditional exemption under the Code which enables them under the Heads of Agreement to sell most of their domestic gas at LNG netback. While APLNG and Walloons have agreed as part of their exemption to supply the domestic market at \$12/GJ<sup>23</sup>:</p> <ul style="list-style-type: none"> <li>the volumes committed at this price represented around 6% and 4% (respectively) of the gas sold, or forecast to be sold, by producers to the domestic market in 2024 and 2025</li> <li>a portion of the APLNG volumes were sold under short-term GSAs, which limited its influence on long-term GSA prices</li> <li>while Walloon contracts were one year, the Code exemption meant they were only available to gas fired generators</li> </ul> <p>All the other uncontracted gas can be sold at LNG netback under the Heads of Agreement. If this LNG linked price is not accepted then the exempted producer can sell it as spot LNG.<sup>24</sup></p> <p>a. It is difficult for gas buyers to understand if the reasonable price anchor of \$12/GJ represents supply and demand factors. We look to the ACCC, with its information gathering powers, to assess that. The only other information we have is:</p> <ul style="list-style-type: none"> <li>Origin's most recent shareholder presentation shows APLNG opex and capex costs of \$4.20/GJ in 2025 and guidance of \$4.30-5.00 in 2026<sup>25</sup></li> <li>AEMO GSOO estimates from Rystad Energy on 2P and 2C production costs<sup>26</sup></li> </ul> <p>That suggests a 'reasonable price' could be below \$(2023)12/GJ which has, unfortunately, become a floor price. There are many gas users where \$12/GJ is not a competitive price for the long term sustainability of their operations.</p> <p>b. Based on the most recent ACCC report, price volatility does seem to have moderated in recent months. This seems to have been driven by lower international prices rather than any specific impact of the domestic regulatory framework. In many ways, this is the wrong question to be asking. The reasonable price provision of the code is a market intervention designed to delink domestic prices from international prices and ensure domestic customer pay a 'reasonable' price. On its own we do not believe this provision can achieve both consumer protection and support competition. We have always been of the view that a range of complimentary measures need to be deployed that accelerate gas market maturity, increase transparency and price discovery, assist more gas production, unblock gas pipeline constraints and expand southern storage.</p>
<p>Is the mechanism in the Code for setting a reasonable price appropriate or should an alternative mechanism set the reasonable price?</p>	<p>If all producers are going to be able to get an exemption from the reasonable price clause in The Code then any mechanism that leads to a price lower than LNG netback that is linked to The Code will be irrelevant.</p> <p>Our preference will always be to see a highly competitive domestic gas market that delivers prices that allow Australian industry to remain globally competitive and that takes pressure off household bills (energy and at the supermarket).</p>

<sup>23</sup> See the discussion at pp 102-3 in the ACCC June 2025 Gas Report

<sup>24</sup> <https://www.minister.industry.gov.au/ministers/king/media-releases/albanese-government-secures-more-affordable-domestic-gas-help-meet-local-demand> To date APLNG are the only LNG shipper to nominate a starting price for gas committed to the domestic C&I market (Walloons \$12/GJ gas is dedicated to gas fired generation). There is no publicly available information on the buyers of this gas.

<sup>25</sup> See Slide 8 <https://www.originenergy.com.au/wp-content/uploads/236/Quarterly-Report-June-2025.pdf>

<sup>26</sup> See 2025 GSOO Supply Data <https://aemo.com.au/energy-systems/gas/gas-forecasting-and-planning/gas-statement-of-opportunities-gsoo>

	While we work to achieve this market-based outcome, many EUAA member companies are faced with an existential crisis meaning they have no choice but to seek a price mechanism that delivers a gas price that supports their business continuity and delivers lower household energy and supermarket bills until such time that broader market improvements are taking effect.
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## Reform

<i>Consultation Question</i>	<i>EUAA Response</i>
What changes to the existing instruments are needed to ensure gas is affordable and reliable for your operations?	<p>Strong preference for fundamental reform in this area.</p> <p>The key issue for EUAA members is the delinking of domestic pricing from LNG netback pricing. The measures we have outlined above should be considered to help achieve this outcome.</p>
How might future market conditions or potential new supply sources (e.g. LNG regasification terminals) impact wholesale gas prices?	<p>Our strong preference is to see the development of our domestic gas resources for the benefit of domestic gas users. However, supply alone will not solve the pricing issues if it is sold in an opaque market dominated by few sellers.</p> <p>EUAA members are very concerned by the potential impact of LNG import/regasification terminals, especially on the price of gas and the negative impact it may have on domestic production. One of the primary policy objectives of the EUAA is to create some separation between domestic gas prices and the volatility of international gas markets that we have endured on since the commencement of LNG export from the east coast. In this regard, our objectives align very closely with that of the Federal Government as per Minister Bowen in a November 2023 speech<sup>27</sup> where he said</p> <p><i>“The code also imposes a price anchor of \$12/GJ, to ensure Australia domestic gas prices are driven by Australian market fundamentals, not the fluctuations of international gas markets”</i></p> <p>We fear that an LNG import terminal will further strengthen the very link to international markets that we, and the Federal Government, have been trying to break.</p> <p>Furthermore, members have expressed a concern that if AEMO are given powers to support LNG Import terminals then we have concerns that all costs incurred by AEMO to support LNG imports will be passed through to domestic gas users, including those that are fully contracted for gas at the time.</p> <p>If Government does provide support to LNG imports, then costs incurred should be borne by the Government and not gas users. It would be manifestly unfair for domestic consumers to cover the cost of failures by equity participants in the gas industry to manage supply risk.</p>

<sup>27</sup> <https://minister.dccsew.gov.au/bowen/speeches/speech-aig-industry-meets-canberra-dinner>

## Efficient Wholesale Markets

### Evaluate

<i>Consultation Question</i>	<i>EUAA Response</i>
<p>What benefits do bilateral gas trades offer compared to use of AEMO's facilitated markets.</p> <p>What barriers exist to greater use of AEMO's facilitated markets?</p>	<p>Bilateral gas trades have been popular because they have traditionally provided certainty to both parties – for sellers underwriting field development, for buyers security of supply, tailored commercial terms including price certainty to suit their particular needs, delivered price that means they do not have to negotiate a separate transport contract(s), no need to trade daily and monitor the market as closely.</p> <p>The barriers to greater use of the Gas Supply Hub are – low liquidity where small trades can shift the price and the required volume is not reliably available every day, the distance between hub and user requires transport contract(s) and transaction costs. Gas users are exposed to market price caps of \$800/GJ in Victoria's DWGM and \$400/GJ in the STTM that are entirely controlled by AEMO and not subject to the more stringent process that exists under the Reliability Panel for the Reliability Standard Setting process which sets the electricity market price cap.</p> <p>Given the recent experience with the Western Energy collapse where gas users did not fully understand the risks they were taking on, the use of facilitated markets is only for the sophisticated buyer.</p> <p>We understand that our members will provide more details in their individual submissions on this topic.</p>
<p>Does bilateral gas contracting limit competition, transparency and a more efficient price formation process?</p>	<p>The current "blind auction" process is opaque and further entrenches market power of sellers.</p> <p>Members have noted that bilateral gas contracting does NOT limit competition. It is used by gas market participants to physically hedge against "facilitated market" price risk. The use of bilateral contracts isn't the issue; the issue is the lack of gas supply, lack of market competition and an opaque market. Currently, the facilitated markets offer little price transparency before the price is set. This is because there appears to be no strict gas market rules to require good faith bidding in the gas markets unlike the electricity market.</p> <p>The calculated "forecast" prices for a day, prior to the price being set (e.g. D-3, D-2, D-1) are not very reliable, and there are major producers that don't bid supply into the market until the final bid round (e.g. D-0). Even if a gas user has some flexibility in how they use gas, they can't really look at facilitated markets ahead of time to plan their gas consumption.</p> <p>The actual purpose of the facilitated markets is to settle the daily differences between the market participants for the net difference between gas injected and withdrawn from the market and penalise them for injecting or withdrawing more or less than the forecast. This avoids participants having to agree to settlements between themselves, like what used to happen many years ago.</p> <p>The advantage of bilateral contracts is that parties can agree to unique arrangements that benefit their positions, which cannot occur if agreements were to</p>

	<p>be fully standardised. Bilateral negotiation provides scope for parties to tailor gas supply arrangements to meet their needs, assuming sufficient gas supply is available in the market which financially incentivises gas producers to consider non-standard supply arrangements.</p>
<p>Views on the performance and efficiency of the wholesale gas market, including supporting evidence, are welcomed. Stakeholders may wish to consider specific market aspects, such as the following voluntary market (Gas Supply Hub) features:</p> <ol style="list-style-type: none"> <li>1. Bid/Ask spread: Do low participant numbers and trade volumes lead to wide spreads? Please provide detail.</li> <li>2. Trading volumes: Given the 5-fold increase in off-screen trades via the GSH since 2018, is there sufficient volume being transacted on screen to support reliable and efficient price discovery? Please provide detail.</li> <li>3. Order book depth: Does the market have enough depth to support meaningful trades without excessive price impact? Please provide detail.</li> <li>4. Execution times: Can participants reliably execute trades quickly at known prices, or are there delays and uncertainty? Please provide detail.</li> <li>5. Price volatility: Is observed volatility a function of supply/demand fundamentals, or a symptom of low market liquidity? Please provide detail.</li> <li>6. Market confidence: To what extent would more structured supply of gas to market, including for example a market making regime, encourage greater levels of confidence amongst smaller</li> </ol>	<p>Members have suggested that we should refer back to the Western Energy experience. It is not feasible that gas users that require gas every day of the year, would bid for gas supply through a Gas Supply Hub (GSH). It's not clear to them, whether any gas users are using the GSH for primary gas supply. Based on the prices observed, it appears participants are using the GSH to settle gas (often bilaterally negotiated short-term supplies as this is beneficial from a legal and credit risk perspective), possibly going to gas-fired generators. When the wind stops blowing, we see GSH trade volumes and prices and volume increases. LNG exporters are probably also selling spare gas during maintenance periods through the GSH, as we observe higher trade volumes and lower gas prices.</p> <p>The vast majority of gas users want certainty alongside gas supply and price. Therefore, short-term trading on the GSH assists major gas market participants such as GPG and LNG exporters, but it is not suited to provide gas users with long-term firm gas as the users would take on the risk that would be left pool price exposed in a facilitated market if they were unable to buy supply from the GSH for some days. Additionally, purchasing gas on the GSH requires the gas user to manage transport to their sites. If gas users cannot be certain whether they can buy gas on a day, then they would be unlikely to enter into firm transport arrangements. So, for a gas user to buy physical gas from the GSH means they are taking a risk on both gas supply and transport being available each day into the future. For these reasons, we would expect the GSH is not extensively utilised directly by gas users.</p> <p>We understand that members will be making specific comments in their own submissions on their experience in operating in the wholesale market.</p>

participants around the availability and price of gas at the GSH?	
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## Governance Of Gas Market Regulations

### Evaluate

Consultation Question	EUAA Response
Are the current roles and responsibilities of the AER, AEMO and ACCC in gas market regulation and reporting clear and appropriate? Please provide detail. If not, are there gaps or overlaps that could be addressed?	While the scope of reporting of the AER, AEMO and the ACCC has expanded in recent years there is still no one easily accessible source of readily understandable gas market information. It requires specialist knowledge to be able to find a lot of the data and then to be able to understand what it means.
What has been your experience in relation to the reports and forecasts produced by these regulatory bodies?	The ACCC gas reports have been incredibly useful to members seeking more transparency. The EUAA and some of our members regularly meet with the ACCC in the course of their preparation of these reports. Although they have been published since 2015, the use of the data to inform Government policy has been patchy. Reports over the last month have provided clear evidence of the need to make the major changes we are proposing for the Government's consideration in this submission.

The EUAA welcomes further discussions around the issues raised in this submission. Do not hesitate to be in contact with us should you have any questions.



Andrew Richards  
Chief Executive Officer

## APPENDIX

This Appendix expands on the discussion in the Background section above.

The Queensland Government's LNG Blueprint in 2009 did acknowledge the unknowns about large scale coal seam production. There were considerable concerns about the deliverability of this gas given it was the first time in the world that an LNG export industry was to be based on coal seam gas. Would there be the deliverability to support electricity generation? Two options were considered - domestic gas reservation of 10-20% of production and a Prospective Gas Production Land Reserve where land was held back for domestic supply. The Government's September 2009 Consultation Paper<sup>28</sup> on these options was prescient (p.2):

*"The Queensland Government must be sure there will be sufficient supply of affordable gas available to meet future electricity generation needs and to support the ongoing development of Queensland's industrial sector. Current Queensland gas market conditions (contract availability and pricing) are being influenced by LNG project proponents' requirement to satisfy their Boards, bankers and LNG customers that they have security over sufficient gas supply to underwrite proposed LNG project investments. Queensland industrial gas customers are reporting increasing difficulty obtaining medium to long term gas contracts. The majority of these projects (e.g. fertiliser production, crude oil refining, alumina refining etc) involve large investments in assets which take many years to recover and require very competitive gas prices. Substantially increased volumes of gas will be required for electricity generation... Gas supply uncertainty and price volatility impacts on business profitability for existing projects and undermines investment confidence in new projects."*

Following a consultation process, in November 2009 the Queensland Cabinet rejected gas reservation ("It estimated that Queensland has around 500 years of gas supply at current levels") and supported development of a reserve of potential gas producing land, which may be released as required to ensure domestic supply. This has been implemented in recent years under the Australian Domestic Market Supply Condition<sup>29</sup>.

The complaints from EUAA members about the price and availability of gas for domestic use in the early years of the LNG terminals operation eventually led to the ACCC producing its first report on the east coast gas market in 2016<sup>30</sup>. It highlighted the impact of LNG exports removing gas from the domestic market with suppliers taking advantage of supply uncertainty to increase prices, shorten contract terms and implement more restrictive non-price terms and conditions. In July 2017 the Federal Government introduced the ADGSM and from September 2017 the ACCC began producing its regular gas reports that have provided much needed transparency about the difficulties large users are having in obtaining gas on terms that allow them to sustain and expand their operations and remain internationally competitive. The ADGSM provided little assistance to domestic consumers. Then the Heads of Agreement and Code, (first voluntary, then mandatory – our first preference) came along trying to fix the gaps. They did not. In practice the mandatory Code has fallen well short achieving its objectives.

<sup>28</sup> <https://cabinet.qld.gov.au/documents/2009/Nov/Qld%20Gas%20Security/Attachments/Domestic%20Gas%20Consultation%20Paper.pdf>

<sup>29</sup> [https://www.resources.qld.gov.au/?a=109113:policy\\_registry/operational-policy-australian-market-supply-condition.pdf&ver=2.01](https://www.resources.qld.gov.au/?a=109113:policy_registry/operational-policy-australian-market-supply-condition.pdf&ver=2.01)

<sup>30</sup> <https://www.accc.gov.au/about-us/publications/inquiry-into-the-east-coast-gas-market>



## Observations of the Mandatory Code

The purpose of the Mandatory Code was to<sup>31</sup>:

*“...ensure adequate supply of wholesale gas to the domestic market at reasonable prices and on reasonable terms.”*

Here are our views on why this purpose has not been fulfilled with a focus on two aspects discussed above.

### 1. Domestic prices have not been delinked from international prices

A joint press release by the Treasurer and Ministers for Resources, Climate Change and Energy and Industry and Science in December 2022 said<sup>32</sup>:

*“The code will include a provision for reasonable pricing. This will provide a basis for producers and buyers to negotiate domestic wholesale gas contracts based on guidance on reasonable pricing from the ACCC, which will reflect the long-run costs of domestic production and an appropriate return on capital. If producers and buyers are unable to agree, they may seek a binding arbitration determination.”*

Minister Bowen said in a November 2023 speech<sup>33</sup>:

*“The code also imposes a price anchor of \$12/GJ, to ensure Australia domestic gas prices are driven by Australian market fundamentals, not the ructions of international gas markets”*

Yet every ‘large’ producer that has domestic gas to sell has been granted a conditional exemption to the reasonable price (\$12/GJ) clause<sup>34</sup>. All ‘small’ producers have an automatic exemption if they commit to supply the domestic market. It seems all or almost all producers have an exemption from the reasonable price conditions<sup>35</sup>.

Large producers were granted exemptions in return for enforceable supply commitments to provide additional gas to the market in agreed timetable – though there were many caveats that mean supply is generally not guaranteed.

A joint press release by Minister Bowen and King following the granting of conditional exemptions to Esso and Woodside said<sup>36</sup>:

*“Today’s announcement is in addition to the commitments made by Senex and APLNG announced in November 2023 and brings the total volume of gas secured through the Gas Market Code commitments to 564 PJs. The supply commitments announced today will directly feed into southern demand centres previously identified as being at particular risk of seasonal shortfalls and ensure there is sufficient domestic supply to keep the downward pressure on gas prices.”*

<sup>31</sup> <https://www.accc.gov.au/business/industry-codes/gas-market-code>

<sup>32</sup> <https://minister.dcceew.gov.au/bowen/media-releases/responsible-and-meaningful-action-gas-prices>

<sup>33</sup> <https://minister.dcceew.gov.au/bowen/speeches/speech-aig-industry-meets-canberra-dinner>

<sup>34</sup> <https://www.accc.gov.au/public-registers/gas-registers/conditional-ministerial-exemptions-for-gas-suppliers>

<sup>35</sup> <https://www.accc.gov.au/public-registers/gas-registers/small-gas-supplier-exemptions-register>

<sup>36</sup> <https://minister.dcceew.gov.au/bowen/media-releases/joint-media-release-gas-market-code-secures-supply-domestic-market>



The Government's fundamental premise is that more supply will reduce price, though it has never been made clear why the agreed promised additional supply under the exemptions would produce a competitive market that results in 'reasonable' prices.

The June 2025 ACC Gas Market report noted (p.7):

*"... the supply commitments under conditional exemptions are unlikely to have significantly influenced domestic prices to date given that material increases in volumes are expected from 2026 and collectively represent a small proportion of domestic demand."*

Once the large producer obtained the exemption, while they may have been obliged to *offer* uncontracted gas to the domestic market, they can, under Clause 3 of the Heads of Agreement, offer it at LNG netback and were not forced to sell. If no domestic buyer is willing to pay LNG netback then the gas can be sold as spot. All this under a Heads of Agreement that is designed to prevent a gas supply shortfall through:

*"...access to secure and competitively priced gas for the East Coast domestic market."*

which seems to work directly against the Code objective of delinking domestic and international prices. The Code exemptions, the Heads of Agreement definition a 'competitive price' and the absence of the promised additional gas have collectively ensured prices to be at or near LNG netback pricing since the Code came into effect as shown in successive ACCC Gas Reports.

## 2. The bargaining power imbalance faced by gas buyers continues

The June 2025 ACCC Gas Report noted (pp.107-8):

*"The Gas Code includes a number of conduct related provisions that were intended to try and improve producer selling practices and reduce the imbalance in bargaining power faced by gas buyers."*

This was to be achieved through imposing an obligation on producers and gas buyers to negotiate in good faith for agreements of any supply term and requiring producers to comply with minimum standards for EOIs, offers, negotiations and agreements with a supply term of 12 months or more. This ACCC's Gas Report conclusions following a review of producers selling practices and buyer bargaining power since the Gas Code was implemented leads to the conclusion that the power imbalance remains and sellers are able to exercise their market power<sup>37</sup>:

- Some producers are unwilling to offer gas outside a producer initiated EOI process, primarily due to their interpretation of the Gas Code with their lawyers preventing them from negotiating bilaterally which reduces competition between producers or forces users to wait for a producers EOI process
- A large number of gas buyers, including retailers, were concerned about the rigidity of the Gas Code's EOI process, and the delays it has caused to subsequent negotiations
- EOI process is unnecessarily long and overly structured and have become a very inflexible and cumbersome process as producers are wary of non-compliance with the Code requirements

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<sup>37</sup> See the discussion in Chapter 5 of the June 2025 report <https://www.accc.gov.au/system/files/gas-inquiry-interim-june-2025.pdf>

- This producer focus on their EOIs means many are over-subscribed and there is very little incentive for sellers to move in a negotiation, it makes it difficult for buyers to compare offers because different sellers run their EOIs at different times
- that EOI processes where buyers need to bid for gas, buyers are forced to bid at a higher price for fear of missing out on the EOI volumes. This creates competition to push prices up and is not in favour of the buyers.

In summary, we see producers continuing to exercise their market power, perhaps not overtly, but still effectively as buyer bargaining power has not changed significantly since the Gas Code was introduced.