MEDIA RELEASE

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LARGE GAS USERS WELCOME GAS RESERVATION SCHEME – BUT AFFORDABILITY & ENFORCEABILITY WILL DETERMINE WHETHER IT WORKS

The Energy Users Association of Australia (EUAA) welcomes the Australian Government's proposed 20 per cent gas reservation mechanism, which is broadly within the range supported by EUAA members, and the EUAA looks forward to reviewing the details of the scheme within the Exposure Draft.

"We welcome the Government's focus on solving the challenges in the domestic gas markets," said EUAA Acting Chief Executive Officer Dr Leigh Clemow. "Gas market reform is critical to preserving and growing our existing Commercial and Industrial sector."

"Importantly, success of the new Domestic Gas Reservation Scheme (DGRS) cannot be measured by the percentage of gas reserved or the number of petajoules made available alone. For Australian gas users, the critical questions are: what price will that gas be offered at, on what terms, and will producers be required to actually sell it?"

EUAA Acting CEO said the Government had taken an important step towards providing greater certainty for Australian manufacturers and other large gas users.

"Twenty per cent is a reasonable starting point, and ensuring sufficient physical gas is available to the domestic market is essential," Dr Clemow said.

"But reservation is only one part of the solution. The test for this policy is whether Australian businesses can actually contract gas at internationally competitive prices and on workable commercial terms.

"Gas being notionally available is not the same as affordable gas being available," said Dr Clemow.

EUAA members have consistently identified affordability as the central objective of domestic gas market reform. When the scheme was announced, the EUAA's submission detailed the core framework by which it would determine success, which was:

- **Affordability is the central objective**. The DGRS must de-link domestic gas prices from volatile LNG netback pricing and deliver domestic gas below $10/GJ with many members arguing that domestic prices should be closer to Tier-1 production costs (~$6/GJ). Long-term gas at or above the previous $12/GJ cap is considered too high and misaligned with Australia's competitive advantage.
- **Reservation must deliver real gas, not paper compliance.** Members insist on a must-sell obligation, not merely "make available", due to past instances where producers offered gas at $40–$60/GJ with unworkable terms.
- **Support for a 20% reservation target, with transparency on modelling.** Many members believe the target should be in the range of **15–25%**, reviewed annually, but affordability must be guaranteed regardless of the percentage. Members would also appreciate gaining a clearer understanding of the modelling that underpins the reservation percentage.

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- **Strong governance and transparency are essential.** EUAA argues that opaque Ministerial discretion has undermined trust in past mechanisms (Code of Conduct, ADGSM, HoA). They call for the AER to lead a transparent, rules-based compliance framework, with public reporting of DSO plans, contract offers, and market data. In order to do this, the AER must be appropriately resourced as soon as possible.
- **Compliance flexibility must not become avoidance.** Limited flexibility is acceptable to manage demand fluctuations, but EUAA strongly opposes exemptions, indefinite deferrals, or WA-style "whole-of-life" obligations that allow obligations to be "kicked down the road".
- **Infrastructure investment is critical.** Pipeline and storage constraints must not justify exemptions; swaps, banking, and third-party contracting provide alternative compliance pathways. We believe the DGRS will deliver long-term certainty and provide a clear path for investment in not only new production but infrastructure to support transport and storage capacity.
- **Integrated market reforms are required.** EUAA supports enhanced transparency, mandatory price-range offers, improved Gas Bulletin Board reporting, and conduct obligations that eliminate silent auctions and information asymmetry.
- **Transition measures must remain until the DGRS is proven.** ADGSM, the Code, and HoA should not be dismantled prematurely. EUAA members unanimously oppose LNG import terminals, which would entrench import-parity pricing.

"If businesses can secure reliable gas at competitive prices, on workable terms, with confidence that the rules will be enforced, then the reform will have succeeded," added Dr Clemow.

"If gas remains available only at prices that undermine the competitiveness of Australian industry, then the reservation percentage will be largely academic.

"Australia needs a domestic gas reservation that delivers real gas, at a competitive price, under rules that businesses can trust.**"**

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial 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, aluminium, paper, 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.

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