SUBMISSION

DEPARTMENT OF INDUSTRY, SCIENCE AND RESOURCES - DOMESTIC GAS RESERVATION SCHEME: EXPOSURE DRAFTS

24 SEPTEMBER 2026

INTRODUCTION

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.

EUAA members are focussed on making products that meet their own customers' requirements where energy is just one input to the process albeit a critical one. Their expectation is that the energy industry continues to provide energy services that are fit for purpose and consistent with the National Gas Objectives (NGO) so that our members can continue to provide a fit for purpose product for their customers.

Thank you for the opportunity to make a submission on the Department of Industry, Science and Resources' (DISR) *Domestic Gas Reservation Scheme: Exposure Drafts*.

Reliable access to affordable gas is essential to maintaining sovereign capability, supporting decarbonisation pathways, and ensuring Australia's industrial base remains globally competitive.

The Gas Market Review Final Report correctly diagnosed the structural failures of the east coast gas market; persistent market power, opaque conduct, insufficient supply, and prices that have become adrift from domestic production costs.

The EUAA strongly supports the Government's intent to introduce a national domestic gas reservation scheme. However, the legislative instruments released to-date contain structural weaknesses, definitional ambiguities, and governance gaps that risk undermining the scheme's effectiveness and failing to deliver the outcomes promised.

This submission provides a consolidated C&I perspective on the Exposure Drafts, drawing on EUAA member feedback, previous submissions, and detailed review of the Domestic Gas Reservation Bill, Consequential Amendments Bill, Levy Bill, and Gas Market Code reforms explainer.

Our objective is to ensure the DGRS becomes a durable, transparent, enforceable framework that delivers real additional gas to the domestic market on commercially workable terms and at prices that reflect long run marginal cost, not international LNG parity.

GUIDING PRINCIPLES FOR A WORKABLE DOMESTIC GAS RESERVATION SCHEME

The EUAA's position is anchored in four core principles. These principles provide the basis for our assessment of the exposure drafts and shape the recommendations in this submission.

Affordability: Domestic gas prices must be delinked from volatile LNG netback and reflect the long run marginal cost of Australia's lowest-cost gas resources. Without affordability, supply alone does not preserve sovereign capability.

Additionality: The scheme must deliver real new gas into the domestic market, not paper compliance, reshuffling of existing domestic gas, or artificial offers that are never intended to be accepted.

Transparency and Predictability: Obligations must be clear, modelling must be published, and decisions, particularly those involving ministerial discretion, must be transparent, evidence-based and contestable.

Enforceability: The scheme must contain strong, credible enforcement mechanisms. Flexibility must support operational realities, not provide avenues for avoidance. Emergency shortfall protections must remain in place until the DGRS is proven effective.

These principles reflect the lived experience of C&I users over the past decade and are essential to restoring confidence in the domestic gas market.

DISCUSSION

AFFORDABILITY MUST BE A CORE OBJECTIVE OF THE SCHEME

The Government's legislative explainer states that the DGRS will support "competition, affordability and investment," yet affordability is not operationalised anywhere in the Exposure Draft. For C&I users, affordability is not an abstract concept—it is the difference between remaining viable or closing operations permanently. EUAA members have repeatedly emphasised that domestic gas prices must be delinked from LNG netback and instead reflect the cost of Australia's lowest-cost Tier-1 gas resources.

The Explanatory Memorandum refers to "stable natural gas prices" and "energy security," but these concepts need to be embedded directly into the AER's calibration and reporting functions. The AER should be required to publish an annual assessment of how DSO volumes, market conduct, and transparency reforms are influencing domestic price outcomes for industry.

Without an explicit affordability objective, the scheme risks delivering volume without delivering viability.

Affordability-centred framing

A clearer framing could explicitly position affordability as a core scheme objective, supported by defined levers and policy settings. This would align the scheme with the intent expressed in the explainer — that affordability is not incidental, but foundational — and mitigate the risk that affordability is acknowledged rhetorically but not delivered in practice.

Embedding affordability at the objective level would also create a structured test for all design choices, ensuring that volume, timing, and technology mix are assessed against their contribution to viable, cost-efficient delivery rather than headline capacity alone.

Recommended Core Objectives of the DGRS

- **Affordability —** ensuring the DGRS delivers *reliable, competitively priced domestic gas* for industrial, commercial, and household consumers, consistent with the Government's stated intent that affordability sits at the centre of the scheme.

- **Security of Supply** — guaranteeing sufficient domestic gas volumes through legislated reservation requirements and the Domestic Supply Obligation (DSO) bank, ensuring predictable and stable supply outcomes, with clear and enforceable compliance settings both daily and annually.

- **Market Integrity and Transparency —** supporting clear, consistent producer behaviour, transparent reporting, and strong compliance settings that uphold confidence in the scheme and prevent distortions.

Supporting Levers / Policy Settings

To ensure affordability is delivered rather than acknowledged, the DGRS should embed a set of enabling mechanisms that operationalise the core objectives within the legislative framework:

- **Price-impact safeguards**
  - Clear expectations around how reservation volumes and DSO bank withdrawals should minimise volatility on domestic prices.
  - Transparent reporting on price outcomes linked to reservation volumes and DSO bank activity.
  - Clear expectations that DGRS operation should minimise upward pressure on domestic gas prices.

- **Cost-transfer protections**
  - Strong, enforceable reservation obligations that ensure producers deliver required volumes consistently across the year.
  - Clear rules governing DSO bank withdrawals to prevent strategic timing behaviour that could undermine supply or affordability.

- **Producer behaviour and compliance settings**
  - A robust compliance framework with meaningful consequences for non-delivery, consistent with the legislative intent in both the short-term (daily) and the long-term (annually).
  - Transparent disclosure of supply commitments, DSO bank positions and compliance actions to support market confidence.

- **Governance and transparency**
  - Regular public reporting on affordability outcomes, supply adequacy, and producer compliance.
  - Clear oversight mechanisms to ensure the scheme operates consistently with legislative intent and consumer interests.

Delivery Tests

Every design choice within the DGRS should be assessed against three tests that reflect the principles in the Government's DGRS legislative package:

- Does it **improve affordability** for domestic users?
- Does it **secure reliable domestic supply** in line with legislated obligations?
- Does it **maintain market integrity and transparency**, preventing cost transfer or strategic producer behaviour?

WILL THE DSO DELIVER REAL DOMESTIC SUPPLY

The central question for EUAA members is whether the Domestic Supply Obligation will deliver real additional gas to the domestic market. This requires clarity on whether the 20 percent obligation operates as a cap, whether calibration can only reduce obligations, and whether forecast errors can be corrected.

As drafted, the framework appears to allow obligations to be reduced below 20 percent where forecast demand is lower, but not increased above 20 percent where forecast demand, supply adequacy concerns or forecast error indicate that more gas is required. This creates a one-way calibration mechanism that protects licence holders from over-supply obligations but does not provide equivalent protection for domestic users where the market is under-supplied.

EUAA recommends a targeted amendment to ensure demand calibration can both reduce and increase obligations where justified by transparent supply adequacy analysis, supported by regular review and a correction mechanism if forecasts prove wrong.

The 20 Percent Target: Inconsistency and Risk of Erosion

The Government has stated that the DSO is set at 20 percent of LNG exports, subject to calibration. However, members seek clarification on what the 20 percent constitutes and whether this covers new or existing contracts.

The Bill also uses DSO inconsistently to refer to both market-wide obligations and individual exporter obligations. Clause 25 allows reductions for existing contracts, infrastructure constraints and reservation arrangements, potentially reducing obligations far below 20 percent.

The current drafting creates an inconsistency between a demand-calibrated scheme and a fixed 20 percent cap. If the DSO is intended to be calibrated to domestic demand, it is not clear why 20 percent should operate as an upper limit regardless of forecast need.

As drafted, obligations can be reduced below 20 percent but cannot increase above 20 percent even when supply adequacy concerns or forecast error indicate more gas is required. This creates a one-way calibration mechanism that protects licence holders but not domestic users.

EUAA recommends a targeted amendment so demand calibration can both reduce and increase obligations where justified by transparent supply adequacy analysis, supported by regular review and a correction mechanism if forecasts prove wrong.

Demand Calibration: Timing, Transparency and Contracting Certainty

Clause 24 of the Domestic Gas Reservation Bill establishes the annual demand calibration process, under which the AER determines the domestic supply requirement for each market. This mechanism is central to the scheme: it directly shapes each exporter's Domestic Supply Obligation and determines whether the market receives the oversupply intended to place downward pressure on prices.

However, the calibration timeline is misaligned with commercial reality. Demand calibration is finalised between June and August, while LNG export contracting decisions are typically made in November or December. This mismatch compresses contracting activity into a narrow window and leaves both exporters and domestic buyers without clarity on supply conditions until late in the year. The result is heightened uncertainty, reduced liquidity, and increased risk premiums for C&I users.

Compounding this, the Exposure Drafts contain no requirement for the AER or AEMO to publish the modelling, assumptions or data sources underpinning calibration. Gas users, who bear the consequences of inaccurate forecasts, have no formal role in the process. The process relies on the assumption that AER and AEMO must get it right, yet the legislation provides no mechanism for users to challenge or contribute to the forecast.

To ensure calibration becomes a predictable, evidence-based mechanism rather than a discretionary one, the EUAA recommends requiring the AER to publish all modelling, assumptions and sensitivity analysis used in calibration and allocation to each licence holder, establishing a formal consultation role for gas users in the calibration process, and locking in calibration earlier in the year to support long-term contracting and investment decisions.

The EUAA also seeks guidance on how the demand calibration will work should one or more licence holders receive large DSO Adjustment Amounts, particularly for existing LNG export contracts, and how demand calibration will be allocated between licence holders taking into account both DSO Adjustment Amounts and adjustments for buying gas under existing domestic gas contracts. The simplified example provided in the Gas Market Code reforms explainer does not clarify how the demand calibration process will work in practice.

This section also requires a remedy for forecast error. The draft Bill allows obligations to be reduced based on forecast demand and supply, but does not provide a clear remedy if those forecasts are wrong.

EUAA recommends a correction mechanism, such as regular supply adequacy reviews, reassessment of calibration outcomes, and the ability to vary or suspend DSO reductions or relief determinations where emerging supply risks are identified.

Domestic consumers should not bear the downside risk of inaccurate forecasting.

Current-Period Correction Mechanisms and Penalties for Non-Compliance

To ensure calibration errors do not translate into avoidable shortfalls, the scheme must include current-period mechanisms that allow the AER to respond when forecasts prove wrong. These mechanisms should include supply adequacy assessments, transparent publication of updated modelling and clear adjustment powers that allow the AER to vary or suspend DSO reductions where emerging supply risks are identified. Without these tools, domestic consumers bear the downside risk of inaccurate forecasting while exporters remain protected by one-way calibration settings. A dynamic correction mechanism is essential to maintaining supply adequacy and ensuring the DGRS remains responsive to real-time market conditions.

These correction mechanisms must be supported by appropriate penalties for non-compliance. A credible *Domestic Gas Reservation Scheme* requires not only clear obligations but meaningful consequences when exporters fail to meet them. Penalties should be proportionate to the impact on domestic supply, including significant civil penalties for material breaches, escalating penalties for repeated non-compliance and the ability to impose additional corrective obligations. Strong enforcement ensures exporters cannot treat non-compliance as a cost of doing business and reinforces the integrity of quarterly adequacy assessments and adjustment powers.

Together, real-time correction mechanisms and appropriate penalties form the backbone of an enforceable, responsive scheme that protects domestic users when forecasts prove wrong and ensures exporters meet their obligations consistently and transparently.

INTEGRITY SAFEGUARDS

Governance and Ministerial Discretion

The Exposure Drafts grant Ministers broad powers to vary DSO percentages, recognise infrastructure constraints, adjust obligations for entire markets and approve extended periods for compliance. EUAA members have expressed strong concern that ministerial discretion is too broad, insufficiently defined and not subject to transparency requirements.

The discretion can reduce obligations to zero, and the EUAA has been advised that the Northern Territory DSO may be set to zero for disconnected basins. This mirrors the experience under the *Gas Market Code's* exemptions framework, where opaque ministerial discretion resulted in virtually no producer being required to comply with price anchor provisions.

Without clear criteria, mandatory publication of decisions and stakeholder oversight, ministerial discretion risks falling short of the scheme's intended purpose, undermining confidence in its operation and placing at risk the goodwill built through the consultation process to date.

The EUAA recommends narrowing ministerial discretion through statutory criteria, requiring all determinations to be published with reasons, mandating joint sign-off from the Energy Minister and Industry Minister for any reduction in obligations, and prohibiting reductions to zero unless independently verified infrastructure constraints make compliance physically impossible and only on a time-limited basis.
We are concerned that a zero percent DSO determination may disapply parts of the Bill dealing with deferred quantities, credit quantities and debt quantities. The concern is not only that obligations could be reduced to zero, but that the legal machinery for preserving, carrying forward and recovering accrued obligations may cease to operate during that period.

EUAA recommends that, even where a temporary zero percent DSO is determined, the relevant provisions continue to apply so that any existing deferred or debt quantities are preserved and can be made up in later periods. A zero DSO should not have the effect of extinguishing accrued obligations or weakening the integrity of the compliance framework.

A rules-based, transparent governance framework is essential to prevent the DGRS from becoming another mechanism weakened through opaque exemptions.

Infrastructure Constraints: Misaligned Obligations and Lack of Investment Requirements

Clause 25 allows the Minister to reduce DSO obligations to recognise infrastructure constraints. While reasonable in principle, the legislative package places obligations solely on producers, not on pipeline or storage owners. This creates an imbalance: exporters may legitimately reduce obligations due to pipeline bottlenecks, compression limits or lack of physical connection, yet infrastructure owners face no requirement to invest in alleviating those constraints. Without a corresponding obligation on infrastructure owners, the scheme risks entrenching existing bottlenecks rather than resolving them.

As currently written, the Exposure Draft allows infrastructure constraints to be used to justify long-term reductions in obligations, the DGRS may fail to deliver additional gas to the regions that need it most.

This is particularly problematic for southern C&I users, who already face north–south transmission constraints and seasonal volatility. The legislative package risks allowing exporters to reduce obligations indefinitely without requiring any party to address the underlying issues. To ensure the DGRS delivers real domestic supply, infrastructure constraints must trigger investment and commercially workable alternatives, not long-term exemptions.

The legislation should explicitly recognise swaps, purchases from suppliers beyond the bottleneck, access to storage and infrastructure investment as legitimate compliance pathways. These options already appear in the Exposure Draft in principle, but they should be clearly articulated as formal mechanisms that exporters must rely on when meeting obligations. This ensures exporters can meet DSOs even where physical transport through constrained infrastructure is not immediately possible, and it encourages market participants to use all commercially viable alternatives before seeking relief.

Infrastructure-related determinations should also consider whether the constraint is temporary, whether investment is underway to address it and whether alternative commercial pathways exist to meet domestic supply needs. This ensures that reductions in obligations are based on a clear assessment of the constraint and do not become a standing exemption.
To rectify these issues, the EUAA recommends requiring infrastructure owners to submit investment plans whenever infrastructure constraints are used to justify DSO reductions, making all infrastructure-related DSO determinations public, time-limiting any reductions based on infrastructure constraints, and requiring exporters to demonstrate that commercial alternatives such as swaps, banking or third-party contracting have been exhausted before any reduction is granted.

Infrastructure constraints should trigger solutions—investment, alternative sourcing, storage expansion—not exemptions.

Flexibility Mechanisms Must Not Become Avoidance Pathways
Clauses 20 and 21 allow exporters to supply only 90 percent of their obligation in-year and defer the remaining 10 percent for up to three regulated periods. Oversupply can offset previous undersupply, and debt quantities can be carried forward.

Members have expressed concern that these flexibility mechanisms could materially weaken obligations. The EUAA has consistently warned that multiyear obligations allow gaming and manipulation of supply timing. Excessive flexibility risks delaying domestic supply, increasing price volatility and weakening the core obligation.

Flexibility must support operational realities, not avoidance. The scheme must ensure that flexibility does not become a mechanism for deferring supply indefinitely or reshaping obligations in ways that undermine domestic availability.

Compliance of Meeting the DSO Supply and Physical Delivery

The EUAA supports a compliance framework that delivers real gas to domestic users while preserving the operational flexibility that C&I businesses require. Many industrial users experience legitimate year-to-year and day-to-day variability in gas demand due to maintenance cycles, production changes, outages or commercial conditions. Gas supply agreements therefore commonly include annual and daily volume flexibility, including take-or-pay arrangements that allow buyers to reduce physical offtake without undermining the commercial integrity of the contract.

Section 19(1), which relates to take-or-pay contracts, may unintentionally disincentivise exporters from offering this flexibility if untaken volumes are treated as non-compliance. To avoid this outcome, the compliance framework should ensure exporters are not penalised where a domestic buyer legitimately reduces physical receipts under a flexible contract. Exporters should be able to meet their DSO by physically supplying the volumes that the domestic buyer elects to take, without being exposed to compliance risk for volumes the buyer does not require.

At the same time, compliance must be based on physical domestic supply, not paper compliance. Contracted but undelivered gas, untaken take-or-pay volumes or gas later resold or exported should not count toward DSO compliance. The scheme must ensure that only gas physically delivered into the domestic market is credited toward obligations.

To reconcile these principles, the EUAA recommends a clear rule: Where a domestic buyer has contractual volume flexibility, the exporter's DSO compliance should be assessed against the volumes the buyer elects to physically take, provided the exporter has made the contracted gas genuinely available for domestic delivery.

Renewable Natural Gas

Members are concerned that the treatment of renewable natural gas within the DGRS remains unclear. Given the absence of a mature certification framework and the pending development of the National Renewable Natural Gas Policy, the inclusion of renewable natural gas at this stage may create unintended consequences for domestic industrial decarbonisation and scheme operation.

Clarity is required regarding the treatment of co-mingled renewable natural gas, domestic access to future renewable natural gas volumes, and the interaction between renewable natural gas policy and domestic gas reservation objectives. Until these issues are resolved, renewable natural gas should be considered separately from the DGRS framework.

Impact on Western Australia

The EUAA notes the importance of ensuring alignment between the Domestic Supply Obligation and the *Western Australian Domestic Gas Reservation Policy*. Western Australia's gas-intensive industries have operated under the WA policy for almost 15 years, providing important domestic gas security and supporting long-term industrial investment.

While the EUAA does not support duplication between State and Commonwealth policies, the Exposure Drafts represent a missed opportunity to incorporate key learnings from the WA framework. The legislative package states that the gas reservation law does not limit the operation of a State law where the two are capable of operating concurrently. However, this does not address the opportunity to complement the WA policy's project-life market offer requirements with the annual physical supply obligations proposed in the Commonwealth scheme.

Nor does it sufficiently reinforce supply obligations or ensure the WA market is subject to capacity obligations comparable to those proposed for the east coast. The EUAA considers that further engagement with WA's gas-intensive industries is required to finalise the package and ensure that the DGRS supports consistent national outcomes while respecting regional market characteristics.

National Policy Coherence

Future Made in Australia aims to capture more value from Australia's natural resources by supporting domestic processing, manufacturing and lower-emissions industrial production. This cannot be achieved without reliable, affordable and internationally competitive energy.

An effective DGRS must materially improve domestic gas availability and price stability and support a domestic price signal shaped principally by Australian supply, demand and delivery conditions. Reserved gas should support a genuine domestic price signal rather than prices anchored to LNG export-parity alternatives.

Affordable domestic gas supply is an enabling condition that allows industry to keep producing, invest through the transition and participate in emerging lower-emissions supply chains. Having a clear, transparent pathway to consistent oversupply of gas improves the investment opportunities available for Australian industry.

Similarly, the *Safeguard Mechanism* will only drive industrial transformation if industry has access to competitive, reliable and firmed low-emissions energy, enabling infrastructure, commercially available technology, skilled workforces, capital and credible transition fuels. Natural gas is critical to that pathway.

The DGRS, *Future Made in Australia*, the *Safeguard Mechanism* and the *Future Gas Strategy* must operate coherently. The *Future Gas Strategy* pairs affordable gas for Australian users with maintaining Australia's role as a reliable LNG trading partner, while low-emissions manufacturing are priority industries under *Future Made in Australia*.

Transparency, Price Objectives and Evidence Base

The Gas Market Code reforms explainer introduces important changes to market conduct and transparency, including mandatory expressions of interest, contract reporting and additionality requirements. The EUAA strongly supports these reforms.

However, the legislative package contains no price objective, no benchmark such as long run marginal cost, no requirement to publish compliance plans and no modelling transparency. Members have repeatedly requested that modelling be made available to support their own risk management and expressed concern that the scheme may become another reform that does not achieve its intended outcomes.

Additionally, neither DISR nor DCCEEW have released any modelling or indication of how much gas, and when that gas will enter the domestic market as a result of the DGRS. Without this information, EUAA members are left asking whether this new market intervention will work or whether it will repeat past interventions that did not deliver the required outcomes.

Transparency is essential to ensuring that the DGRS delivers improved affordability and supply outcomes. The current legislative package does not clearly set out how transparency obligations will operate across the Bill, regulations, AER reporting and Gas Market Code reforms. Without a clear structure, accountability may be weakened and domestic users may struggle to understand how obligations are set, how compliance is assessed and how the scheme's performance will be evaluated.

The EUAA considers that the Bill should establish the core transparency requirements that relate directly to the operation of the DSO. These include publication of calibration modelling, assumptions, sensitivity analysis and the data sources used to determine domestic supply requirements. Regulations and rules should then specify the format, timing and consultation requirements for this information, along with the publication of compliance outcomes, treatment of deferred quantities and any relief determinations. Gas Market Code reforms should address transparency in contract availability, supply adequacy and market conduct, complementing the transparency obligations under the DGRS.

Long run marginal cost provides a useful benchmark for assessing whether domestic gas prices reflect Australian supply and delivery conditions. The AER should report annually on domestic gas prices relative to long run marginal cost, supply adequacy indicators and the impact of the DSO on affordability. This approach provides a clear evidence base for evaluating whether the scheme is improving affordability and supporting competitive outcomes for domestic users.

Affordability must be supported through targeted transparency obligations. These include regular AER reporting on price and supply outcomes, publication of calibration results, clear disclosure of compliance information and transparent criteria for assessing whether the DGRS is delivering improved affordability as well as volume. These measures ensure that the scheme can be evaluated against its stated objectives and that domestic users have confidence in the evidence base underpinning decisions.

A transparent, well-structured framework is essential to maintaining trust in the scheme and ensuring that domestic users can understand how obligations are set, how compliance is assessed and whether the DGRS is delivering the outcomes intended.

Gas Efficiency Measures Must Support Real Efficiency, Not Demand Destruction

Gas efficiency is not referenced in the Exposure Draft itself, but it is highlighted in the accompanying notes of intent as a potential complementary measure to support the Domestic Gas Reservation Scheme. EUAA members are concerned that, without clear guardrails, gas efficiency initiatives could replicate past schemes that paid industrial users to reduce production or shut down operations entirely. This is not gas efficiency; it is demand destruction, and it undermines sovereign capability.

Genuine gas efficiency focuses on improving the way gas is produced, transported and used — not reducing industrial output. Living examples already exist across the sector. On the production side, exporters have implemented improved reservoir management practices, upgraded compression systems to reduce fuel gas use and invested in lower-emissions processing technologies. On the industrial side, manufacturers have deployed heat-recovery systems, optimised kiln and furnace operations, electrified low-temperature processes and improved thermal integration across production lines. These initiatives reduce gas use per unit of output, strengthen competitiveness and support decarbonisation without compromising production.

A practical example of real gas-use efficiency is the NSW Government's Heat Pump Feasibility Grants, which support businesses to assess the technical and commercial viability of replacing gas-fired process heat with high-efficiency industrial heat pumps. These grants help businesses identify opportunities to reduce gas consumption while maintaining or improving production output. They demonstrate how targeted, well-designed efficiency measures can support industrial competitiveness, lower energy costs and reduce emissions without incentivising curtailment or closure. This type of initiative aligns with the EUAA's view of genuine gas efficiency: improving performance, not reducing production.

Efficiency measures should reinforce these types of investments and ensure that efficiency gains translate into lower domestic prices, not reduced domestic supply. Any future gas efficiency framework must explicitly exclude incentives that encourage curtailment, closure or withdrawal of industrial capacity. Instead, it should support exporters and industrial users in adopting technologies and operational practices that deliver measurable efficiency improvements while maintaining production.

Gas efficiency should complement the DGRS by improving system-wide performance — not by reducing demand for gas-intensive industries that rely on affordable, reliable supply.

Transition Measures Must Remain Until the DGRS is Proven Effective

The legislative package repeals the Australian Domestic Gas Security Mechanism and adjusts the Gas Market Code. The EUAA's position, consistent with its June 2026 submission, is that existing protections, including the ADGSM, the Code and the Heads of Agreement, should not be dismantled until the DGRS is fully implemented and demonstrably effective.

Premature repeal would expose C&I users to renewed supply and price risks during the transition. EUAA members also remain unconvinced of the merits of LNG import terminals, which risk entrenching import parity pricing and undermining the DGRS's objective of leveraging Australia's low-cost gas resources for domestic benefit.

CONCLUDING REMARKS

The EUAA supports the intent of the Domestic Gas Reservation Scheme and recognises the significant progress represented in the Exposure Drafts. However, the legislative package in its current form contains structural weaknesses that risk undermining domestic supply, price stability and long-term contracting certainty.

The Exposure Draft legislative package and Gas Market Code reforms represent substantial progress toward a national domestic gas reservation scheme capable of delivering affordable, reliable and transparently governed gas supply for Australian industry and households. Many elements align closely with EUAA's longstanding advocacy: a must-sell obligation, AER-led governance, demand-calibrated DSOs, additionality requirements, improved conduct and transparency and long-term export licences.

However, the scheme requires targeted strengthening to ensure it delivers real supply, real affordability and real confidence for C&I users. The EUAA urges the Government to refine the legislative package in line with the recommendations above and stands ready to assist in developing a durable, effective framework.

The refinements proposed are essential to ensuring the scheme delivers on its promise and aligns with the principles outlined at the start of this submission.

Affordability: The recommendations on demand calibration transparency, price benchmarks, must-sell obligations and limits on flexibility directly support lower, more stable domestic prices.

Additionality: The proposals on production baselines and strict definitions of gas efficiency ensure that the scheme delivers real new gas, not paper compliance.

Transparency and Predictability: The recommendations on publishing modelling, compliance plans, ministerial decisions and infrastructure determinations strengthen confidence and reduce information asymmetry.

Enforceability: The proposals to retain ADGSM protections, limit ministerial discretion, tighten deferral rules and ensure credible enforcement mechanisms ensure the scheme has real teeth.

Taken together, these refinements will transform the DGRS from a promising framework into a durable, effective mechanism capable of delivering reliable, affordable gas to Australian industry and households.
The EUAA stands ready to work with Government, AEMO, AER and industry to refine the legislative package and ensure the DGRS delivers a workably competitive domestic gas market that supports Australia's industrial base.

Do not hesitate to be in contact with EUAA Policy Manager Dr Leigh Clemow, should you have any questions.

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