AUSTRALIAN WORKERS' UNION

Reserve Our Gas:

Submission to the Gas Market Review

The Australian Workers' Union

August 2025

Introduction

The Australian Workers' Union (AWU) is one of Australia's most diverse unions and its principal gas union. We represent around 78,000 members in a wide range of industries, including many across the length and breadth of the gas supply chain. This membership affords us a strong interest and a broad perspective on gas policy and markets. AWU members work in onshore and offshore gas extraction, processing, export facilities and pipelines – right through the projects and infrastructure that keep Australian gas flowing. We are also a major presence across many of the country's biggest gas-consuming industries, including alumina refining, steelmaking, aluminium smelting, and the production of concrete, glass, bricks, plastics and other manufactured goods. These facilities are essential to the life and economies of regional and suburban Australia, and they underpin many of our country's basic sovereign capabilities. They are highly gas-dependent and likely to remain so into the medium to long-term.

We welcome the holistic examination of Australia's east coast gas market and its chief regulatory instruments presented by the Gas Market Review. This affords government a unique opportunity. It must not be wasted.

In responding to the review, we are guided by our belief that gas market regulation must support fairness, sustainability and certainty for affected workers, gas users and producers alike. Unfortunately, the east coast gas market is failing against all three measures. Despite being one of the world's most gas-rich regions, the molecule is not serving the vital interests of most workers and energy users. Gas has become unaffordable for most. Prices have risen to several times higher on average, and hundreds of times higher at their worst, since 2015. The market has also been pushed into a state of permanent yet entirely avoidable supply risk. We produce more than four times what we need, yet our pipelines are at constant risk of running short. Local users rely ever more on ad hoc, short-term supply agreements. Unaffordability and uncertainty also places the government's energy transition plans, and especially its green manufacturing vision, at risk. Many of the most promising green industries of tomorrow need affordable gas today.

All of these issues are strongly linked to the decision to support the development of an east coast LNG export industry, without guardrails for the domestic market, from 2015 onwards. While such ventures were highly successful for exporters themselves, they created a link between the east coast gas market and the much higher priced, more volatile international market. Queensland's three gas exporters operate at a scale far beyond that of other producers. Despite aiming primarily to serve international buyers, they rapidly came to dominate the local market. One exporter has also turned to raiding domestic-only producers for very large quantities of gas to meet its export contract – so called 'third-party purchasing' - rather than doing so through its own production. This has placed further pressure on an already strained market.

The rise of east coast LNG production without steps to preserve the interests of domestic users has been widely condemned as a monumental policy failure by regulators, gas users and

politicians of all persuasions. And by the AWU: Our submission marks ten full years of advocacy to address the problems that stem ultimately from this decision.

The instruments at the heart of the gas market's regulatory framework do not and cannot address these issues, essentially because they were not designed to do so. For the most part, they seek only to avoid worst-case undersupply events, otherwise leaving LNG exporters to pursue their priorities unhindered.

For major gas users and especially gas-dependent manufacturers and their workers, this situation is plainly unsustainable. Some have closed already, shattering livelihoods and supply chains. Many more have reached a precipice. But, increasingly, the state of the market also poses risks for workers in the gas industry itself. The industry's social licence to operate is now at risk. As the status quo fails to deliver for most, it is permanently at risk of being upended.

The corollary is that current regulation of the east coast gas market is not fit for purpose. The anthology of half- and non-measures delivered by governments over the last decade, including the regulations under review, have only entrenched or even exacerbated the situation. In addressing the market's challenges, only foundational reform will suffice.

What should such reform amount to? It must be centred on the very same measure we first proposed a decade ago: A gas reservation. This would belatedly but decisively decouple the east coast and international markets. It would ensure reliable and affordable supply of gas to domestic users at volumes corresponding to the market's projected needs. It would also help address the large-scale purchase of third-party gas for export. And it would pose no legitimate threat to the gas export industry itself. Details of the model of reservation we propose are explored in the body of the submission, below.

What would a reservation mean to AWU members and their colleagues? We asked them after the Gas Market Review kicked off, with hundreds getting in touch to tell us just how important it is to them. Some examples:

- A metals industry worker: "[We] *would be able to get cheaper power…and would remain open so I can provide for my family.*"

- A downstream manufacturing worker: "*Secure gas supplies would increase employer and customer confidence, providing for improved production conditions, meaning more secure jobs and increased employment opportunities…*"

- A steelworker: "*We could keep the heater running more often which means the little ones won't be getting sick overnight.*"

- A food manufacturing worker: "*Job security - we've already been told we may be out of a job by 2028 due to rising gas costs.*"

- A smelter worker: "*Without gas I won't have a job.*"

- A heavy industry worker, whose site has announced its closure: "*I would still have a job…*"

On the other side of the market, one member from the gas industry sums up the true meaning of solidarity and the national interest in explaining the importance of a reservation to them:

> "*As the saying goes, 'A society thrives when old men plant trees whose shade they know they will never sit in.' This is about doing what's right for the next generation. Just look at the union movement. The legacy we benefit from today wasn't built by institutions, it was built by the unknown workers on the ground, those everyday men and women who did the hard lifting for the good of all. Affordable energy, like gas, is part of that legacy. It's about laying the foundation for a fairer, more secure future, for others, even if we don't directly benefit.*"

Our members say it best. This isn't just a question of dry, abstract energy markets: It directly and profoundly affects the lives of workers, their families and others that depend on them.

And while the AWU is the oldest and strongest advocate for such reform, we now find ourselves in busy and diverse company. The review has seen a broad coalition from across the gas market (including at least one LNG exporter) and all manner of other stakeholders back a reservation. We are proud to advocate alongside these allies. But above all, we draw strength from fighting this fight on behalf of workers: Our own members as well as the wider workforce, with recent polling showing an overwhelming majority of everyday Australians now support an east coast reservation.

The best time to implement a reservation was 2015. The next best time is now. Government must seize the moment and finally Reserve Our Gas.

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Finding 8: The Gas Market Code, Heads of Agreement and ADGSM are a confusing and often overlapping regulatory patchwork.

Finding 9: The Gas Market Code, Heads of Agreement and ADGSM are, in both their form and impact, largely consistent with a series of failed interventions in the east coast gas market since the LNG era began.

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'How effective are the existing instruments in ensuring sufficient supply for the domestic market?'

The instruments under review are central to the regulatory framework governing Australia's east coast gas market. Their effective function, in turn, is critical to the interests of AWU members across the gas supply chain. Most particularly, the AWU has tens of thousands of members in manufacturing sites that depend on gas for high heat processes or chemical feedstock, and will likely continue to do so in the medium-to-long term. Indeed, the Commonwealth's baseline projection is for stable industry sector gas consumption out to 2030, followed by a relatively slow decline (potentially as little as 5% over ten years) thereafter.[1] This gradual shift away from gas is much slower than that forecast in the household and commercial sectors,[2] and reflects the unique challenges of shifting away from gas for many manufacturers.[3] Nearly all manufacturers are also large electricity users, exposing them further to gas through the growing role it plays in setting the marginal power price.

What constitutes 'effective' gas regulation for our members and hundreds of thousands of other workers in manufacturing? The review's consultation paper focuses on whether the instruments under review promote adequate supply to domestic users. While this outlook is consistent with that of the instruments themselves, it is unduly narrow. An effective regulatory framework should support a fair, sustainable and certain gas market – one that provides for certainty of supply together with affordability and an effective energy transition.

Against all such measures, the instruments under review fall well short. Manufacturers should be major players in the east coast gas market: Industry is responsible for between 24% and 57% of consumption in all eastern states and territories.[4] Yet the power of them and other major users to secure fair, sustainable price and supply agreements is severely limited.[5] Regulatory settings impose few effective limitations on Queensland's three powerful LNG exporters, which operate largely or solely with reference to export market dynamics. This has had a damaging impact on the price and supply of east coast gas, and for Australia's energy transition. The jobs and prospects of too many AWU members and their colleagues are in peril or have already disappeared as a result.

We also regard these issues as a concern for AWU members working for gas exporters and other gas businesses. A gas industry that doesn't effectively serve the needs and interests of Australian workers and consumers is one whose social licence to operate will ultimately disappear. The public is increasingly alive to the abovementioned issues and what they mean for them. A recent public poll suggested a full 86% of voters now support overturning the current regulatory framework in favour of an east coast gas reservation: "*Respondents believe it's a policy in the national interest and that prioritises the needs of Australian homes and businesses*."[6] The shifting public mood is further reflected in the growing number of gas producers that have shifted to the reservation camp, citing the need to uphold their social licence in doing so.[7]

Users are tied to an expensive, unstable market

The rapid expansion of Queensland's LNG export industry last decade, to a position of global significance, may be a blessing for workers and others engaged in the industry. But it is an ongoing curse for east coast gas users. As the first LNG cargo departed Gladstone in 2015, the local and international gas markets became intertwined for the first time. Queensland's three LNG producers are largely unrestrained in their ability to export what they produce. Particularly as even large local manufacturers have small purchases compared to export customers, local users have been forced to buy gas for the same price, or sometimes more, than those in Tokyo, Seoul and Beijing. Even producers that don't export directly are often induced to supply the 'big three' to bolster exports (see also below).[8] As well as operating with reference to international pricing, LNG exporters quickly came to dominate the domestic market. It is estimated that APLNG, QCLNG and GLNG now have effective control of 90% of east coast gas reserves.[9]

The result of a dominant, export-linked LNG industry is an effective coupling of the east coast and international markets. Domestic and LNG 'netback'[10] gas prices are now generally correlated.[11] As a result, industrial and other local gas users now share the international market's higher prices, its pressing supply-demand dynamics, and its higher volatility. Prices have risen precipitously. Average domestic spot prices have jumped from under $5 per gigajoule pre-2015 to around $10 from 2017 to 2021, and up to $20 since.[12] Retailer offers to industrial customers now average over $14 per gigajoule and are expected to rise to over $15 next year.[13] For extended periods over the last decade, domestic gas prices even exceeded the estimated price paid by export customers.[14]

Compounding higher average prices, the east coast is now exposed to international supply shocks. When Russia's illegal invasion of Ukraine upended northern hemisphere gas markets in 2022, the spot price for gas reached a stratospheric $800 per gigajoule in Victoria.[15] While LNG producers banked mega-profits in a skyrocketing export market, Australian smelters, factories and plants were forced to the wall. Dozens of manufacturing businesses had long-term gas contracts torn up and replaced with price increases of up to 300%.

For east coast manufacturers, costs have increased in a manner that most – particularly large producers in trade-exposed industries – cannot pass on to customers. Margins are suffocatingly tight if they exist at all, and many facilities are forced to operate at a loss. This is quite simply unsustainable. The disastrous shutdown of manufacturing operations at Oceania Glass and Qenos, at a cost of hundreds of quality jobs and important domestic capabilities, would be the canary in the coalmine. Except that scores of other sites are now shouting from the rooftops that if prices aren't brought down to sustainable levels, they too will be forced out the door.

Much recent commentary on the gas market from both stakeholders and government has focused on a decline in prices relative to those seen during the height of historic disruptions in 2021 and 2022. Within that frame of reference, current prices do suggest some moderation.[16] But this distorts the reality of consistently higher prices, caused by domestic-international market

coupling, since LNG exports began. Indeed, even recent price cooling is more reflective of reduced international market pressures than Australian's own market reforms or market dynamics.[17]

Such outcomes are hugely concerning for Australia's manufacturing workforce and sovereign capabilities. But they are far from unexpected. As the export gas industry grew exponentially last decade, the AWU foresaw the risks for domestic users of tying local prices to those abroad. From the very start, we campaigned heavily for a domestic gas reservation to provide affordable energy to local manufacturers while allowing the gas export industry to expand.[18]

Finding 1: Development of the Queensland LNG industry, without safeguards for the domestic gas market, has effectively linked domestic and international gas prices. This has resulted in much higher prices and a more volatile market for domestic gas users.

The needless supply crisis

In addition to unsustainable prices, the east coast gas market has been thrown into a perpetual state of supply uncertainty. Given the dominance of the 'LNG three' and their focus on export, the domestic market now relies in notable part on smaller quantities of 'uncontracted' gas produced by these suppliers over and above export volume.[19] This gas is often supplied in an ad hoc, inconsistent manner. Different LNG producers are also more or less responsive to domestic demand. Last-ditch measures are required to avoid pipes running empty: Last year, the Minister for Resources was forced to scramble to secure an additional 9 petajoules of domestic supply to see off a projected shortfall.[20]

Major gas users, including in the industry sector, also note a shift toward more uncertain short-term contracting. The average length of a gas supply agreement has shrunk to just 12 months.[21] This is a problem for manufacturers, who require consistent, long-term energy to make commercial and investment decisions. The dramatic reduction in the length of gas contracts means undermines confidence among large gas users.

Though recurrent warnings of supply shortages have not materialised to date, this appears attributable to last-ditch interventions such as the above, together with good fortune and marginal benefits from otherwise adverse events - certainly much more so than it does a well-functioning market. Most notable in this regard are:[22]

- The decision to delay the retirement of Eraring Power Station resulting in reduced gas-powered electricity generation (GPG);

- Milder than expected winters reducing residential gas consumption; and

- Lower than expected industrial gas consumption, with the closure of large industrial facilities, partly on account of high gas prices, a notable factor in those closures.

The Australian Energy Market Operator (AEMO) continues to project gas shortfalls on peak demand days from 2028, and more broadly from 2029.[23] There is even a possibility of undersupply as soon as next year, depending on how LNG producers elect to make use of uncontracted production.[24]

Ultimately, these pressures should be seen for what they are – absurd. There is nothing fundamental about them: The east coast now produces over four times more gas than it requires.[25] Any 'supply gap' has nothing to do with a deficiency of molecules and everything to do with policy choices around the shape of the market. That is, unrestrained export has forced industrial and other users to fight for scraps in a 'hunger games' style contest over arbitrarily limited supply, as multinationals ship most Australian gas abroad at sky-high prices.

Finding 2: Development of the Queensland LNG industry, without domestic safeguards, has forced the domestic gas market into a state of perpetual supply uncertainty and increasingly short-term contracting.

Finding 3: That the east coast gas market has not yet tipped into undersupply is largely reflective of good fortune and incidental events, rather than effective regulation of the market.

GLNG's 'huge straw' drains the local market

The cost pressures triggered by dominant producers linked to international markets are exacerbated by the conduct of one such operator. GLNG has come to rely heavily on purchases from third-party producers to meet its long-term LNG export contract. The joint venture is forecast to secure an eye-watering 126 petajoules of this 'third-party gas' next year - equivalent to 27% of total east coast demand. Such purchases have risen even further to approach 200 petajoules in the recent past. At times, GLNG's third-party purchases are equivalent to 70% of its own production.[26] This practice adds considerable price and supply pressure to an already strained market – its negative impacts much remarked upon by industry, the competition watchdog and the AWU itself.[27] Absent major impetus to change, GLNG will only increase third-party purchases further in the coming years.[28]

For workers whose future depends on fair and sustainable gas prices, this conduct is nothing short of galling. As AWU National Secretary Paul Farrow recently stated, "*We should never have allowed a Goliath…to stick a huge straw into our east coast domestic gas market so it can service its export commitments.*"[29]

Cause for further consternation still is that this is ultimately a question of GLNG's commercial and operational preferences, rather than any matter of necessity. All three Queensland exporters control gas resources well exceeding their export requirements.[30] In the case of GLNG, its proven reserves are 8% greater than its contracted export commitments. It also controls an estimated

1,233 petajoules in additional, potentially recoverable reserves.[31] These figures do not account for the many additional fields controlled by the project's operator and biggest shareholder Santos outside of the GLNG joint venture.

Finding 4: GLNG's large-scale purchase of 'third-party gas' to meet its contractual export commitments adds substantial price and supply pressure to an already strained market.

Finding 5: GLNG controls sufficient reserves to meet its contractual export commitments. Its purchase of third-party gas is a matter of preference rather than necessity.

The energy transition at risk

In addition to failing users and gas-reliant workers today, the east coast market puts key elements of the planned energy transition at serious risk. This poses a further obstacle to a shift that already faces historic complexities and contention.

In particular, many industrial facilities that are among Australia's largest gas users are identified by the *Future Made in Australia* (FMIA) program as high potential, job-creating green industries in the low emissions economy. This includes our steelmakers, aluminium smelters and alumina refineries, as well as major hydrogen offtakers in fertiliser and explosives production. Oppressively high gas prices today put such operations at grave risk, making it much less likely that a successful, jobs-positive transition can be realised tomorrow. Heavy industry is particularly difficult to revive once it has left a market. As one gas executive has recognised in supporting an east coast gas reservation, "*we can't have sovereign manufacturing and a Future Made in Australia without adequate domestically produced energy at an affordable price*."[32]

In addition, some FMIA priority industries will likely require more gas, not less, on the path to emerging as world-leading green industries. Of particular note in this regard are Australia's primary steelmakers – central to the FMIA agenda, to tens of thousands of jobs and to the country's basic construction and manufacturing capabilities. For example, shifting the Port Kembla steelworks from its coal-fired blast furnace to direct reduction ironmaking would likely require it to increase its gas use tenfold in the medium to long-term, before an eventual transition from gas to green hydrogen.[33] This would deliver an almost unrivalled single-site emissions reduction, even in the gas-fuelled ironmaking phase.[34] But such a large increase in gas use appears highly improbable under current market dynamics. Much critical minerals processing is also reliant on gas-fuelled high heat processing.[35] High gas prices and uncertain supply puts the transition and growth of these FMIA industries in peril.

Finding 6: Unaffordability and supply uncertainty in the gas market presents a multifaceted risk to Australia's energy transition, especially for high-potential industries supported by the *Future Made in Australia* program.

Regulation: Meeting its mission, failing the market

The the moribund state of the east coast gas market is consistent with the state of the regulatory instruments that underpin it. The instruments under review amount to a collage of band-aid solutions – some evolving incrementally, some implemented at haste. They fail to address the issues outlined above in a meaningful or long-term way. In fact, they largely don't so much as attempt a solution. This is because they have been devised only to avert the worst-case outcome of a domestic market shortfall. Most notably, they are all but agnostic on the matter of affordability.

Put another way, the consultation paper's overview of the instruments under review states that they "*work together to ensure Australian consumers have sufficient supplies of natural gas while minimising disruption to the operation of Australia's LNG industry.*"[36] This characterisation, in many respects, is both accurate and reflective of the problems explored above. Obviously, it fails to place necessary emphasis on affordability and its implications for manufacturing, the energy transition and energy users in general. Though the claim that 'sufficient supply is ensured' is in the barest sense correct, supply has largely occurred in an ad hoc and piecemeal manner, with even that outcome highly uncertain going forward. It also affords disproportionate priority on not disrupting export activities over important domestic market considerations.

As well as failing to effectively address key issues in the local gas market, the three instruments amount to a regulatory patchwork of confusing and in some cases overlapping requirements. Both producers and gas users would benefit from a regime that was simpler and consolidated, as well as more effective.

The Gas Market Code was the subject of some consternation by gas producers[37] upon its implementation. Its 'reasonable price provisions', setting a domestic price cap at $12 per gigajoule in some instances, attracted particular attention. In reality, the industry need not have worried. While the AWU did support the code as a more effective intervention than previous regulations, it must now be viewed as more a failure than a success. As the ACCC has observed, it is not expected to have materially impacted prices,[38] and 95% of gas committed for supply under its provisions is priced at over $12.[39]

Despite widespread focus on the reasonable price provision, the code's principal objective is to incentivise producers to supply to the domestic market without price controls or international market decoupling.[40] To this end, most producers have made use of broad conditional and deemed exemptions from the code's price provisions - ridding themselves of the $12 obligation in return for commitments of varying certainty to supply gas domestically. This might appear to be a bug in the code's design, but it is in fact a feature. Moreover, commitments provided under exemptions have had no material impact on overall supply to date, and are only expected to represent a small proportion of demand when they are met from 2026 onwards.[41]

There is also a strong argument that the code's use of $12 per gigajoule as a 'reasonable price' benchmark is some way short of reasonable. As the review's consultation paper notes, average Queensland production costs are much lower than that mark at around $6.50 per gigajoule ($8.60 when transported to Sydney or Melbourne).[42] Major gas users have told the AWU that the code has simply entrenched $12 as the market's price floor - a higher one than existed previously.

The Heads of Agreement serves broadly the same ends as the code. It is intended to facilitate LNG exporters to offer gas to the domestic market at prices not exceeding, but also not lower than, that paid by international customers.[43] Thus, supply offers made under the Heads of Agreement largely correlate with the LNG netback price. Given the clear gap between the price that international buyers and Australian industry can bare, this is unsatisfactory and unsustainable.

The Heads of Agreement also intends to oblige only the offer of gas into the domestic market, rather than its actual sale.[44] This, combined with the absence of any requirement to offer at below international prices, means that less than a third of supply offers made under the agreement are taken up by users.[45]

The Australian Domestic Gas Security Mechanism (ADGSM) confers the Minister for Resources broad powers to limit or prohibit gas exports to avoid a shortfall into the domestic market.[46] However, it operates as an explicit "*last resort*" measure,[47] aiming to shape the market by somewhat vague deterrence. The Minister is also required use their market intervention powers three months prior to the period in which a shortfall is expected.[48] The foresight required to navigate the three-month requirement is a serious challenge, given the day-to-day precariousness that characterises supply dynamics in the east coast market. The Commonwealth has accepted it is difficult to envisage the ADGSM ever being utilised.[49] Like the other regulations under review, the mechanism attempts only to avert worst-case shortfalls rather than solve the market's larger challenges.

Finding 7: The Gas Market Code, Heads of Agreement and ADGSM are unsuited to solving the affordability, supply and energy transition issues in the east coast gas market. Their implementation has not mitigated these issues and in some cases may have exacerbated them.

Finding 8: The Gas Market Code, Heads of Agreement and ADGSM are a confusing and often overlapping regulatory patchwork.

The narrow and inadequate nature of the regulations under review should come as no surprise. Though developed during the unprecedented disruptions of 2021-2022, they are in many respects the last in a line of inadequate interventions in the east coast market since the LNG era began:

- The initial ADGSM was delivered by the Turnbull Coalition Government in 2017. A later review conceded it was impossible to attribute any moderation in gas prices to the reform.[50]

- The Australian East Coast Domestic Gas Supply Commitment – a first iteration of the Heads of Agreement – arrived in 2018. Despite the Coalition's aim that it would support competitive domestic prices, local spot prices still regularly exceeded export prices.[51]

- Various further measures came under the Morrison Government in 2020, including gas supply targets, 'use-it-or-lose-it' provisions and a voluntary gas industry code of conduct. No action was taken to enforce either the targets or use-it-or-lose-it rules, and the code was widely criticised as ineffective.

- A consultation on a potential gas reservation scheme died under Prime Minister Morrison in 2020, with no government response.[52]

- Further measures still, such as a national gas infrastructure plan, arrived in the dying days of the last Coalition Government. These too had no impact on market outcomes.

Finding 9: The Gas Market Code, Heads of Agreement and ADGSM are, in both their form and impact, largely consistent with a series of failed interventions in the east coast gas market since the LNG era began.

The corollary

The corollary of the above is that hundreds of thousands of Australians depending on gas – and especially workers in gas-reliant manufacturing – have been forced to the margins of their own market. The regulatory framework for the east coast market has given control over to LNG exporters, whose actions and priorities are shaped largely with reference to international factors, typically with little regard for the many adverse implications for local users. This dependence is a daily reality for many manufacturers at the very edge of viability. It is also recognised in relatively direct terms by government.[53]

The market is broadly unfair, unsustainable and – given constant pressure for upheaval from those it fails to serve – uncertain. Gas is unaffordable and its supply cannot be assured today. The market is not facilitating an effective energy transition for tomorrow. The three instruments under review do not and cannot solve these issues: They were simply not built for this purpose.

To a very large extent, this is also not news. In 2017, the Turnbull Government tasked the ACCC with its ongoing gas inquiry and reporting. In its very first report, the competition watchdog stated: '*Commercial and industrial users are experiencing a very difficult contracting environment, with few suppliers offering gas at very high prices for supply…Industrial users that produce trade-exposed products have indicated that they have had to absorb increased gas costs rather than pass costs on to their customers, which could result in their products becoming uncompetitive*.'[54] These words, while bordering on ancient in energy policy terms, would scarcely be out of place today.

Finding 10: Severe affordability, supply and energy transition risks in the east coast gas market have made it unfair, unsustainable and uncertain.

'Are there alternative policies that would secure gas for Australian consumers while maintaining a strong LNG export industry?'

In short, yes.

For the reasons detailed above, the AWU implores the Commonwealth to use the Gas Market Review to deliver fundamental reform. Further incrementalism and band-aids, in the form of minimal or incremental change, would serve little to no useful purpose.

A gas reservation

Instead, government should implement a gas reservation scheme, requiring LNG producers to sell a fair quantity of gas into the domestic market, as soon as possible. A reservation can decisively decouple the east coast market from Australia's export markets and ensure that domestic users have certainty around adequate supply. It can also address issues arising from the large-scale purchase of third-party gas for export.

Recommendation 1: The Commonwealth should implement a gas reservation scheme, requiring LNG producers to sell a fair quantity of gas into the east coast market, as soon as possible.

As regards the form the reservation should take, we note the 'fundamental reform' options canvassed in the consultation paper include: '*A national framework requiring all exports of LNG to be approved subject to conditions (e.g. an LNG export permit/licensing regime). Conditions could encompass issues including domestic supply and pricing. This could provide regulatory and investment certainty by streamlining supply obligations; replacing much or all of the existing regulatory framework; protecting contracts; incentivising investment in supply; and recognising state and territory policy settings.*'[55]

We concur. An export permit scheme offers an ideal means to deliver the gas reservation. The Commonwealth should prescribe requirements that LNG producers supply (not merely offer) gas into the east coast market in return for prospective permits for export. As well as addressing key affordability and supply issues, this could deliver a simpler, consolidated regulatory framework by replacing the instruments under review. Such a reform could also resolve key objections raised in relation to reservation policies in the past (see below).

The design elements of the reservation-export permit scheme advanced by the AWU are outlined below.

Recommendation 2: The Commonwealth should deliver the reservation in the form of an export permit scheme. This should prescribe requirements that LNG producers supply gas into the domestic market in return for a prospective permit to export.

Recommendation 3: The reservation, once implemented in full, should replace the Gas Market Code, Heads of Agreement and ADGSM.

Flexible supply obligation

The reservation should prescribe the obligation for LNG exporters to supply the east coast gas market according to a measure of forecast demand determined by government on a rolling, prospective basis. Rather than requiring exporters to supply a quantity equivalent to a portion of their total exports – a figure that may or may not correlate with domestic need - exporters would be required to supply a portion of anticipated domestic demand. This would ensure the reservation genuinely meets the needs of local gas users. The three exporters are well placed to meet any such requirement, with their production and reserves dwarfing both current and potential future demand on the east coast.

Domestic-only producers will of course continue to play a role in the market, particularly in southern regions. Nonetheless, the proportion of total domestic demand to be supplied by exporters under the reservation should reflect LNG producers' control of most east coast reserves, as well as their superior production capacity relative to other players.

Correlating the reservation's supply requirements to prospective demand on a rolling basis is doubly important due to uncertainty around how the energy transition will impact local gas use. Among the Future Gas Strategy's overarching principles is a recognition that "*gas supply will gradually and inevitably support a shift towards higher-value and non-substitutable gas uses*."[56] While this represents the long-term trend, the pathway toward its, and the implications for total consumption, are uncertain. Official models for the future energy market vary markedly in expected gas consumption, though they all suggest gas use will rise in the medium-term.[57] This is particularly true of the AEMO '*Green Energy Exports*' scenario – the agency's most FMIA-aligned model. Moreover, forecasting gas demand in the electricity sector is becoming more difficult. GPG-related consumption is influenced by the advancement of renewables firming alternatives, the rate of electrification, the pace of coal station retirements and the nature of changing weather patterns.[58] All are challenging to predict.

We acknowledge that a flexible supply obligation would present something of a moving target, and thus a level of uncertainty, for exporters required to meet it. Moreover, projecting total demand is an imperfect science: Forecast and final demand will not align perfectly. We nonetheless suggest that such a model represents the best means of ensuring fair volumes of gas are supplied at affordable prices from LNG exporters to manufacturers and other domestic users. We note also that a traditional gas reservation model, requiring producers to supply a volume equivalent to a fixed portion of their exports, still implies a shifting quantity of domestic supply as export volumes change. To provide additional certainty to producers, the Commonwealth could set the rolling supply obligation on a multi-year basis, rather than using more regular intervals.

To account for the serious impact of third-party gas purchases by LNG exporters, and to ensure the reservation drives net rather than nominal supply, a producer's third-party gas purchases should be deducted from its supply volume in calculating whether its obligations have been met. For instance, an exporter that supplied 50 petajoules to domestic users, as well as purchasing 50 petajoules from another producer for export, would be considered to have supplied zero petajoules.

Recommendation 4: The reservation should require LNG exporters to supply a prescribed portion of forecast total domestic demand. Forecast total demand should be determined on a rolling, multi-year basis.

Recommendation 5: The portion of forecast total demand required to be supplied under the reservation should reflect LNG exporters' dominance of east coast gas reserves and production.

Recommendation 6: Any third-party gas purchases should be deducted from a producer's supply volume in calculating whether its supply obligations have been met.

Equality between exporters

While Queensland's LNG exporters are commonly discussed in unison, we accept that the industry is in many respects no monolith: They differ in relation to matters including production rates, contractual obligations and total reserves.[59] Nonetheless, it remains that case that all three exporters have far greater proven reserves than they require to meet long-term export obligations, thousands of petajoules of further potentially recoverable reserves,[60] and more than sufficient production capacity to supply a reasonable share of domestic need.

We note also that, in prescribing potential export controls, the ADGSM suggests that all producers would be treated equally. We therefore suggest it is fair that the total quantity of gas required to be supplied under the reservation's domestic supply obligation be split equally between the three LNG exporters.

Recommendation 7: The total volume of gas required to be supplied to the domestic market under the reservation should be split equally between each LNG exporter.

Baseline-credit system

To provide flexibility around how producers meet domestic supply obligations, the AWU supports the incorporation of a 'baseline and credit' scheme into the reservation. Producers that supply more gas to the domestic market under the reservation than is required to secure their export permit would generate tradeable credits, reflecting the volume of 'above baseline' supply. These could be sold to an exporter unable to meet their domestic supply obligations directly, partly offsetting their domestic supply obligation.

We accept that, under current market dynamics, such a scheme would provide a greater benefit to two producers. APLNG and to a lesser extent QCLNG are likely to be able to generate credits by supplying more domestic gas than a reasonable supply obligation, particularly one accounting

for third-party purchases, would mandate. GLNG is unlikely to be able to meet its net supply commitment at all. However, this only reflects that APLNG and QCLNG have, to date, been more committed to developing reserves, supplying domestic users, and not utilising third-party purchases to meet export requirements.

Moreover, a baseline-credit system would still provide a wider range of options to an exporter unable to meet its domestic supply obligation, including GLNG, than would otherwise be the case. Under such a system, GLNG could elect to meet its domestic obligation through the purchase of credits. This provides an alternative to doing so by developing its underutilised gas reserves, or freeing up production by meeting a portion of its export volumes with spot cargoes from the international market (or elsewhere in its shareholders' portfolios). GLNG would choose its optimal path; the market would be adequately and fairly supplied regardless.

As regards the cost of any credits generated under this system, we suggest they should be priced to provide reasonable incentive for exporters that require them to develop their own resources, in a manner sufficient to meet domestic supply obligations directly.

Recommendation 8: The reservation should include a 'baseline-credit' system - allowing producers that supply more domestic gas than the scheme requires of them to generate credits reflecting their volume of 'above baseline' supply. These credits could be sold to an exporter unable to meet their own domestic supply obligation directly.

Recommendation 9: The Commonwealth should price credits issued under the reservation to provide a reasonable incentive for LNG exporters to meet their domestic supply commitments directly.

Pricing mechanism

Gas-powered electricity generation is a secondary but growing presence in the east coast gas market. While responsible for around 7% of demand today,[61] GPG consumption may increase several times over in the next decade as gas shores up a renewables centred grid.[62] Given GPG's firming role in power networks, generators are strongly positioned to pass gas costs onto buyers: When GPG is needed, electricity users have no alternative. As a result, gas generators can absorb much higher gas prices than other gas users.

This presents a challenge for industrial and other non-GPG gas users. In a future where GPG played a major role in the domestic gas market, there is a risk of a new coupling of buyers with vastly different needs and price sensitivities: GPG on the one hand, and the balance of the market on the other. Affordability issues associated with the present-day coupling of the international and domestic markets may effectively reemerge in a different form.

Foundational reform to the gas market should deliver the long-term certainty that both users and producers require. This comes from fairness and sustainability; the Commonwealth cannot trade one form of dysfunction for another. For this reason, the Commonwealth should include a price

control power as part of its reservation reform. This would empower government to require that gas provided by exporters to industrial and other users be sold at a specified price, should market dynamics make such a requirement necessary.

Such reform would afford the government a safeguard against the possibility of history repeating (noting that the scale of future gas consumption by the power sector is uncertain). Equally, the Commonwealth would not be obliged to utilise this power. Indeed, it should be designed so that the Commonwealth does not engage in greater market intervention than our future energy system requires.

Recommendation 10: The gas reservation should include a provision empowering the Commonwealth to require that gas supplied under the reservation to specified users be sold at a particular price, where failure to prescribe a price poses significant risk to industrial or other gas users.

Prompt implementation

Gas-reliant manufacturers, their workers and local supply chains have endured a decade of pain. Many are on the brink. Tragically, large sites have already closed their doors - hundreds of jobs lost, supply chains broken, families and communities upended - with gas prices among the major drivers. The message from remaining sites and their workers should be clear: A reservation isn't needed in the medium-term, or when uncertain preconditions such as new supply coming online are met. Workers won't enjoy the benefits of a reservation if their sites are forced to mothball or close before it comes into effect. They need it now. As noted, these issues also place our members in gas under growing risk: The risk of delaying a reservation, or any half measures, is that the public turns on the industry.

The Commonwealth should thus develop and implement the expert permit-reservation system in full as soon as possible following the conclusion of the Gas Market Review.

Recommendation 11: The Commonwealth should implement the reservation in full as soon as possible.

Flawed opposition

While the AWU can lay claim to being an east coast gas reservation's oldest and boldest proponent, we celebrate the idea's more recent emergence at the forefront of energy policy debate. In addition to a supermajority of everyday Australians, we welcome support for some form of reservation from traditional allies in manufacturing, as well as community advocates,[63] think tanks,[64] parts of the environment movement,[65] a wide spectrum of political figures[66] and even gas producers themselves. Indeed, APLNG, Beach Energy and industry peak Australian Energy Producers have all declared their hand in favour of a reservation over the past week alone.[67] Producers increasingly understand the serious perils facing the domestic market and recognise that solving them is ultimately in their own interest.

But as popular as a reservation has become, a decade in this debate tells us it will still be met with opposition. This section explores anticipated objections to a reservation, particularly one taking the form we propose, and the shortcomings of such reasoning.

No genuine investment disincentive

Opponents to a reservation posit that it would reduce gas producers' profits and thus disincentivise the investments required to uphold production, ultimately threatening supply in both the domestic and international markets: "*The lower price that producers receive for gas sold on the domestic market acts as an implicit tax on producers. This lowers the incentive to invest in gas exploration and production.*"[68]

The AWU recognises the importance of ongoing investment by gas producers to uphold supply, in line with anticipated demand, from the near future onwards. The need for further investment is borne out in all official scenarios for Australia's energy markets, regardless of the pace of emissions abatement and growth of green industries assumed in those scenarios.[69] According to one producer-aligned study, Queensland exporters must invest $3.5 billion to $4 billion each year to maintain production at current levels.[70] Absent this investment, our members in current gas projects would of course face risks alongside gas users.

However, the claim that a reservation would deter such investment is scaremongering. LNG exporters enjoy very wide profit margins, driven by the international purchases that comprise the overwhelming majority of their sales. Queensland's three producers currently ship over 1,400 petajoules (1.4 billion gigajoules) of gas each year - more than three times the volume supplied to all domestic users.[71] In 2025, this export gas has been produced for around $6.50 per gigajoule and exported at an average of $17.03 per gigajoule[72] - a discrepancy driving a chasmic profit margin.

These gargantuan export profits are what drives ongoing investment. A reservation, including in the form proposed by the AWU, would not threaten producers' capacity to meet the export demand that drives profitability. Moreover, all three Queensland LNG projects were established

at a time when the price their exports attracted was significantly lower than it is today.[73] This suggests a capacity to endure a much larger hit to profit margins than a lower price for domestic sales, as a small minority of total production, could possibly deliver.

Moreover, the suggestion that Queensland's attraction as a destination for gas investment is purely a function of current profit margins ignores the wider calculus that informs such decisions. Many other factors must be assessed in weighing up Australia's investment attraction. Among them are its political stability, its highly capable workforce, its outward looking trade posture and first-rate relationships with potential offtake markets. All will remain so after a reservation is implemented.

Finding 11: The proposed reservation would not threaten the volumes or very wide profit margins on exported gas that drive Queensland LNG exporters' production investments.

Finding 12: Queensland and Australia's attraction to investors is attributable to a wide range of factors, most of which are irrelevant to the imposition of the proposed reservation.

A related claim is that a reservation would hamper investment in gas production by stoking uncertainty around regulatory settings. The AWU understands the need for regulatory certainty to ensure investment by players on all sides – not only in production but among major gas users. We also accept that gas producers did pause investment during the last round of major regulatory reform in this space.[74] But far from impeding regulatory certainty, a reservation is the only way to genuinely deliver it. For as long as most market participants face unaffordability, supply uncertainty and a highly uncertain transition, regulatory uncertainty linked to calls for foundational reform will endure. Long-term certainty is only possible through a market that works for more than a small number of producers and a narrow, international clientele. This requires a reservation.

Finding 13: A reservation is the only means of addressing ongoing uncertainty around regulatory settings, linked to poor outcomes for most market participants, in the long term.

No contractual interference

As deleterious as the advent of the eastern LNG industry has been for local users and manufacturing workers, we accept that direct interference in exporters' foundational export contracts would present genuine risk. This is particularly the case for export offtake countries, for which gas supplied from Queensland has energy security and geoeconomic significance. Queensland gas exports thus influence not only Australia's trade relationships, but its relationships with regional partners more broadly. For these reasons, we accept the Commonwealth's position that reforms arising from the review "*should be mindful of existing commercial contracts (including export contracts)….while identifying options that secure Australia's longer term domestic gas supply needs.*"[75]

However, the AWU's proposal amounts to no such interference. It provides incentives for export contracts to continue to be met in a manner more aligned with Australian workers', businesses' and consumers' interests. But it poses no direct obstacle to, and has no direct bearing on, foundational contracts or their fulfillment.

Insofar as it could impact foundational export contracts indirectly, the proposal is far from unprecedented. As the Commonwealth acknowledges, the ADGSM – dating back only to 2022 in its current form – already amounts to an export control mechanism.[76] AEMO is also empowered to require the provision of gas, including gas intended to meet long-term export agreements, into the domestic market where this is necessary to address domestic supply risks.[77] The question of whether such schemes inherently amount to an unreasonable imposition on foundational contracts has been resolved in the negative. They already exist as the LNG industry continues to thrive.

The need to avoid direct contractual interference or other unreasonable impositions should not be confused with the suggestion that any reform potentially affecting LNG projects over their decades-long lifespan must be ruled out. This is unrealistic and out of step with the role of government in stewarding Australia's energy security and transition. As per the Future Gas Strategy's central principles, "*gas and electricity markets must adapt to remain fit for purpose throughout the energy transformation*."[78] Markets are much less likely to evolve in this manner if their regulatory frameworks are forced to remain static, or any changes of substance are pushed to the never-never through grandfathering.

The accusation that a reservation amounts to unreasonable imposition on existing contracts is also selective. Most of the east coast's largest gas-intensive manufacturing sites have operated for decades. They have made important commercial decisions and investment commitments that were upended by the government-facilitated advent of Queensland LNG. This has had a far greater impact on most of these facilities than a reservation would have on gas exporters. A fair approach to questions of contractual interference should consider the interests of stakeholders across the market.

The AWU accepts that the best time for a reservation was 2015. Flawed objections around contractual interference don't change the fact that the second-best time is now.

Finding 14: The proposed reservation would not support direct interference in, or provide any direct obstacle to the fulfilment of, long-term LNG export contracts. To the extent that it might impact such arrangements indirectly, this is reasonable and proportionate for a range of policy reasons, and consistent with existing regulation.

Price setting: Familiar territory

Any proposal that would require government to set a price, such as the power we propose above, attracts objections that government is engaged in undue interference in commerce, and that this will ultimately lead to damaging market distortions. Once again, such claims need to be assessed against a backdrop of existing powers. The Commonwealth already engages in price regulation across various sectors where, as in the gas market, a small number of market players can effectively set prices. Most directly relevant is retail electricity pricing, where the ACCC sets a reference price cap. The Australian Government also sets limits on price increases for private health insurance and even a minimum price to be paid for milk.

In addition, any decision by government to utilise the price setting power we advocate would not impact the vast majority of exporters' output. This would continue to be supplied to international buyers on market terms.

Finding 15: The Commonwealth already engages in price regulation across various sectors where a small number of market players can effectively set prices. This includes the energy market.

Boost productivity at home

Another established criticism of gas reservation policies is that a largely unrestrained gas export industry, as Queensland exporters presently enjoy, ensures gas is sold for its most productive use. As one anti-reservation study posits, a reservation "*diverts resources into less productive uses. An artificially low gas price reduces production costs in gas-using industries, and so they are able to expand production…However, these resources could otherwise have been employed in industries where no subsidy is necessary, that is, where labour and capital have a higher value.*"[79]

To the extent that a reservation would divert some gas intended for productive use in export markets to domestic users, this argument assumes that the productivity of gas-using firms abroad is of equal importance as the productivity and resilience of domestic gas users. This, we suggest, is entirely misaligned with the priorities of both government and the electorate. Lowering energy and feedstock costs, plainly, is a productivity benefit for thousands of manufacturers and other gas users. The Commonwealth should seek to support precisely these outcomes.

In any case, it is not certain that international purchasers of Australian gas make more productive use of the fuel simply by virtue of their capacity to pay a higher price for it. This could well be attributable to a range of unrelated factors – for instance, policy support provided by foreign governments to firms in their own economies, or variance in the cost of alternative fuels between Australia and its trade partners.

We also reject the baseline contention that a reservation makes the domestic gas price 'artificially low' (except, perhaps, where government elected to use the pricing power we advocate).

Whether the east coast gas price is set according to the dynamics of a purely domestic market, or one linked to the higher-price international market, is reflective of policy and regulatory choice. A decade ago, the Commonwealth elected to allow these markets to be linked, and prices increased three to four times over as a result. There is nothing about this situation that is inherently more 'natural', much less more desirable, than the alternative.

Finding 16: More affordable gas provides a direct and substantial productivity benefit to many domestic gas users.

Finding 17: The productivity of domestic gas use, relative to that of international users, is not a priority consideration in gas-related policymaking.

Precedent and constitutionality

The reservation model proposed by the AWU is not based wholly on any currently operating scheme. Any novel or partly novel proposal will be criticised on the basis that there is no direct precedent to demonstrate its efficacy. But, of course, an Australia gas reservation is anything but unprecedented. We know the policy works because it has worked for Western Australia for decades. WA first implemented a form of gas reservation in 1979 and has had a formal reservation in place since 2006.[80]

When moving towards its formal reservation, ExxonMobil and other gas producers deployed several of the above claims, suggesting such a scheme would ultimately kill gas projects in WA. The state government, to its credit, called their bluff, stood firm and delivered. Today, WA benefits from affordable gas. Average contract gas prices are currently just over $7 per gigajoule, have largely tracked around $5 over the last decade, and dipped under $3 in 2020.[81] Even opponents of reservation policies concede that West Australians have enjoyed consistent low gas prices.[82] While serving locals well, the scheme has in no way impeded the development of a very large and highly profitable LNG export industry in WA.

Thus, while some design elements between our proposed east coast reservation and the WA model differ, we suggest the west's success in this area is strong evidence of a reservation's capacity to deliver the same in the eastern market.

Finding 18: Western Australia's long-running gas reservation has facilitated the supply of highly affordable gas to domestic users, without impeding development of a large LNG export industry.

Some opponents of a reservation also question the constitutionality of an east coast gas reservation. Australia's Constitution includes requirements that Commonwealth regulation not give preference to one state over another.[83] This gives rise to queries about whether a Commonwealth reservation, applied to the east coast market, might fall foul of such requirements.

Particularly as the WA gas market and its similar but separate scheme would be unaffected by our proposal, would a Commonwealth reservation for the east amount to preferential treatment of one or several states?

We note the possibility that this potential issue could be dealt with via a form of carve out, in the regulation enabling the reservation, for state-based reservation schemes preceding the Commonwealth reservation. This appears to be the approach taken by the ADGSM. While the mechanism makes no mention of WA, it allows for the Minister for Resources to impose differential treatment in relation to the volume of gas a producer may export on account of "*state-based agreements or licensing conditions*."[84] Thus, a relatively straightforward solution along similar lines may well be possible. The Australian Government should investigate this option, and the question of constitutionality more broadly, with a view to implementing a scheme for the east coast without requiring Western Australia to modify its own long-running and broadly successful reservation.

Recommendation 12: The Commonwealth should investigate means of drafting the reservation to address any issues of constitutionality without requiring change to Western Australia's gas policy and regulation.

Complementary actions

The AWU is of the firm belief that fairness, sustainability and certainty in the east coast gas market is not possible unless and until the Commonwealth delivers a reservation. Reservation, quite simply, is key. Nonetheless, additional and complementary measures are also warranted, and even necessary, to support the good function of the gas market. These include actions to facilitate the investments needed for future supply, and to improve data collection and reporting.

While important, these measures are not the focus of this submission. Principally, this is because of the priority we afford to achieving a reservation. We also suggest these actions do not directly resolve the most important questions asked by the Gas Market Review – those regarding the future of the regulations under review and the overall function of the market. The below briefly outlines the AWU's priorities for complementary actions to support gas users and production, additional to a reservation.

Ensure supply can continue

Australia will require new supplies of gas in the medium to long-term. New supply is often mischaracterised as the super-sizing of the industry at a time when emissions abatement efforts should be sending production backwards. However, new supply will be needed simply to meet ongoing demand as it plateaus and eventually declines in line with Australia's emissions reduction commitments. This is so regardless of the final form of decarbonisation taken by Australia, be that the rate of abatement, its technological character, the growth trajectory of green industry, and the extent to which existing gas projects are optimised. The Future Gas Strategy recognises as much in straightforward terms: "*Gas remains crucial to our economy and region to support the transition to net zero. To meet our future energy needs and decarbonise our economy, we need continued gas supply.*"[85]

The issues associated with new gas supply are many-faceted and complex. They also touch on a range of other planned and potential government reform projects, not least the *Environmental Protection and Biodiversity Conservation Act* modernisation push. These should be explored through those forums. We only emphasise concerns around significant regulatory, policy and political barriers identified by stakeholders across both the production and consumption sides of the market.

Recommendation 13: The Commonwealth should address regulatory, policy and political barriers to facilitating delivery of new gas supplies required to meet Australia's medium to long-term needs.

Ensure supply is delivered

As our energy system evolves and the eastern gas market grows ever-more reliant on Queensland, its infrastructure needs shift. Two issues here are paramount.

First is declining southern production. Southern gas fields' output, and thus supply to southern gas users, is projected to decline rapidly to 2030. Increased transport of gas from Queensland will partly offset this decline; north-to-south volumes are expected to triple to 148 petajoules per year by the 2030s.[86] Yet current pipeline interconnections are inadequate to deliver the volumes of Queensland gas that Victoria will ultimately need.[87] As it stands, existing infrastructure will not be capable of moving gas south at the volumes required. That is, north-south pipelines will be full, but the south will still run short as early as 2031.[88] There is underappreciated potential to further develop southern fields to mitigate this supply gap. But, in all likelihood, this will still need to be complemented by investment in greater north-to-south pipeline capacity.

Second is the issue of storage, with risks to southern markets again paramount. Victoria is one of Australia's most gas-reliant markets, especially in winter, and increasingly gas-poor. Yet it has just 24 petajoules of storage capacity. The majority of east coast storage is situated in gas-rich Queensland.[89]

The evolving nature of gas use in the electricity sector compounds both these concerns. Gas-powered peaking generators are likely become exposed to "*very large, and unpredictable, gas demand peaks on the order of triple or more historical maxima*." This will call for a combination of infrastructural and other solutions, including new pipeline and storage infrastructure, to ensure GPG is supplied with the gas it needs when the electricity market relies on it.[90]

Private investment to deliver such infrastructure may well come with more certain regulatory settings and domestic supply obligations under a reservation. We understand that APA's five-year east coast grid expansion proposal, focused on increased north-to-south transport and southern market storage, would assist markedly in addressing these issues. APA, for its part, purports that the plan would ensure that supply would not dip below around 350 petajoules out to 2043.[91] Major storage expansion plans already announced for Victoria's Iona and Golden Beach storage facilities are also positive developments.[92]

> Recommendation 14: The Commonwealth should facilitate further investment in gas transport and storage infrastructure, particularly north-to-south pipeline infrastructure and southern region storage capacity.

Though investment in pipeline and storage infrastructure will be necessary, the Commonwealth should be much more wary of proposed LNG import terminals. In an outward display of optimism, the government posits that '*any gas supplied through import terminals could be more expensive than gas developed closer to demand centres*.'[93] This is virtually guaranteed, if only to account

for liquification, seaborne transport and degasification costs that exceed those associated with pipeline supply. Worse, a reliance on LNG cargoes through import terminals runs the risk of entrenching price parity with LNG exports. It undermines the basis for delivering genuine, durable solutions to the east coast market's issues. Theoretically, import terminals can deliver all the gas that domestic users might need – only with the same unfair and unsustainable price pressures and supply uncertainties that plague today's market.

The liquification and seaborne transport processes are also highly emissions intensive. Liquification terminals, especially, are among Australia's highest-emitting facilities.[94] LNG import terminals thus deliver more emissions-intensive gas than traditional pipeline supply.

The AWU understands that while import terminals are widely opposed by manufacturers, some have accepted them as a fait accompli, and are now focused on ensuring their use is limited and controlled. We urge the Commonwealth to deliver the reservation, infrastructure and other solutions that would make them redundant. Prescribing guardrails around the use of import terminals should only be pursued if a path not requiring them is no longer viable.

Recommendation 15: The Commonwealth should prioritise the delivery of a reservation, and the facilitation of gas supply and onshore infrastructure, such that LNG import terminals are not required.

Rationalise reporting

The AWU notes concerns by gas producers around requirements to provide data to the ACCC, AEMO and Australian Energy Regulator on an ongoing basis. Much of the information sought by each agency overlaps with that sought by the others. Provided it results in no loss of data from the public domain, an aggregation of data collection and publication processes could deliver a win-win, streamlining compliance for producers and market intelligence gathering for users and other stakeholders. The AWU also supports efforts to deliver closer-to-real-time data on the gas market. We commend the Commonwealth for identifying these opportunities in the consultation paper[95] and support them being taken up as soon as practicable.

Recommendation 16: The Commonwealth should pursue opportunities to aggregate gas market data collection and reporting processes, and to publish such data on a closer-to-real-time basis.

More information

No issue affects such a wide range of AWU members, nor animates our organisation across its ranks, more than achieving a strong and effective gas reservation for the east coast. Ten years down the road, we remain as committed as ever to making it happen. We must Reserve Our Gas.

We therefore welcome any and all opportunities to engage with and assist the Gas Market Review. Likewise, representatives of the review are welcome to reach out with any queries regarding this submission or related AWU advocacy.

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[3] https://www.industry.gov.au/sites/default/files/2024-05/future-gas-strategy.pdf, p. 40

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[5] https://www.accc.gov.au/system/files/gas-inquiry-interim-june-2025.pdf, p. 78

[6] https://www.afr.com/policy/energy-and-climate/steam-out-their-ears-australians-fired-up-about-gas-exports-20250725-p5mhqs

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[8] https://www.afr.com/companies/energy/accc-picks-fight-with-gas-exporters-over-domestic-supplies-20250226-p5lfhv

[9] https://ieefa.org/sites/default/files/2025-06/Delaying%20eastern%20Australia%E2%80%99s%20gas%20crunch_June%202025.pdf, p. 4;

https://www.accc.gov.au/system/files/gas-inquiry-interim-june-2025.pdf, p. 4

[10] That is, the effective export parity price, being the price a producer would receive for exporting the gas less costs associated with exporting it (liquefaction and seaborne transport):

https://www.accc.gov.au/inquiries-and-consultations/gas-inquiry-2017-30/lng-netback-price-series

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[12] https://www.publish.csiro.au/ep/pdf/EP24199, p. 7

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