South Australian Chamber Of Mines & Energy

30 June 2026

SACOME Submission
Domestic Gas Reservation Scheme: Draft Design Framework

The South Australian Chamber of Mines and Energy (SACOME) is South Australia's peak body for the resources and energy sectors, representing companies across the resources and energy value chain, including gas producers, pipeline operators, energy infrastructure providers and major industrial gas users.

SACOME recognises that affordable and reliable gas supply remains critical to domestic manufacturing, electricity generation and energy security. SACOME therefore supports efforts to incentivise investment, bring on new gas supply and improve infrastructure to support the east coast gas market. The proposed framework does not achieve that goal.

The proposed measures may place downward pressure on domestic gas prices in the short term, but improvements in affordability are unlikely to be sustained if the framework weakens investment in new supply. The framework must also incentivise investment in storage and transport infrastructure needed to improve long-term gas availability and reliability.

The framework does not address South Australia's primary constraint

The framework focuses on redistributing existing gas specifically developed for export, after investors have made significant multi-decade investment decisions to develop those resources. However, diverting existing gas volumes cannot, on its own, result in improvements to the east coast gas market. This is particularly the case given infrastructure constraints limit the ability to transport this gas to where it is needed in southern markets. Gas that cannot be physically transported cannot be considered available to the market.

For South Australia, the primary constraint is not the allocation of gas, but the ability to deliver it where and when it is needed. System reliability depends on constrained production, transport and storage capacity, particularly during periods of peak winter demand.

Successive reviews by AEMO, the ACCC and other gas market bodies have consistently identified the need for additional gas supply and supporting infrastructure to meet future demand and avoid projected shortfalls. Increasing annual domestic gas volumes will not, on its own, address South Australia’s peak demand risks where production, transport and storage capacity remain constrained. Absent sufficient transport and storage capacity, additional reserved volumes are unlikely to translate into physical supply at South Australian demand centres.

South Australian Chamber of Mines & Energy
Level 3 115 King William Street, Adelaide SA 5000 | +61 8 8202 9999 | sacome@sacome.org.au | www.sacome.org.au

South Australian Chamber Of Mines & Energy

Recent independent economic analysis by Kroll Economics supports this view, concluding that a standing annual reservation obligation is poorly matched to a market where the principal challenge is seasonal, regional and dependent on deliverability rather than aggregate annual gas supply.

The framework may have unintended consequences for South Australia

South Australia has maintained a supportive approach to gas development and is actively pursuing new supply opportunities. This includes measures by the South Australian Government to stimulate exploration, increase domestic supply and improve system reliability through initiatives such as the Strategic Gas Reserve.

The framework should recognise South Australia's existing investment in and contribution to domestic gas supply. If other sources of supply are exempted or able to satisfy their obligations through alternative compliance arrangements, South Australian producers will be expected to shoulder a greater share of the domestic supply task despite already making a significant contribution to the domestic market. This increases the burden on producers already supplying domestic customers without delivering a corresponding improvement in gas availability, affordability or reliability for South Australian households and businesses.

SACOME is also concerned that elements of the proposed framework may weaken the investment signals required to deliver new supply and the critical infrastructure needed to transport and store that supply. The framework introduces a new export approval regime, ongoing compliance obligations, broad ministerial discretion and additional regulatory requirements. Together, these measures increase regulatory uncertainty and weaken investment confidence across the gas sector, including upstream production, pipeline infrastructure, energy infrastructure and major industrial users. Reduced investment in southern domestic production would further constrain the supply available to meet South Australia’s peak winter demand. It would also reduce the supply of associated liquid fuels produced from wet gas, affecting broader energy security outcomes for South Australia.

The framework changes the competitive dynamics of the domestic market in a way that disadvantages producers already supplying domestic customers. By requiring a greater proportion of LNG production to be supplied into the domestic market, the framework may reduce the market available to producers whose business model is focused on domestic supply. If those producers reduce investment, redirect capital or withdraw from the domestic market, the framework risks reducing future domestic supply and undermining its objective of improving long-term gas availability. The framework should therefore be designed to increase domestic gas availability without disadvantaging existing domestic suppliers or discouraging investment in new supply.

South Australian Chamber Of Mines & Energy

The framework also undermines Australia's long-standing reputation as a reliable supplier of LNG to international markets. The framework retrospectively introduces new regulatory requirements which are subject to ministerial discretion, for gas already committed under long-term commercial arrangements. This creates uncertainty for exporters and their customers, undermining confidence in Australia's reputation as a stable and reliable trading partner.

For South Australia, the implications extend beyond the LNG sector. Australia's reputation as a reliable trading partner underpins confidence across the state's broader export economy. Measures that undermine confidence in Australia's ability to honour long-term export commitments may affect investment and trade across a wide range of South Australian export industries.

SACOME supports measures that increase domestic gas availability and market function. However, such measures must complement and not displace policies that encourage new gas supply and timely investment in production, storage and transport infrastructure. Without that investment, improvements in the allocation and utilisation of existing supply are unlikely to deliver sustained improvements in affordability, reliability and energy security for South Australia.

Existing Australian gas reservation arrangements in South Australia and Western Australia demonstrate that domestic supply objectives can be pursued through a range of policy mechanisms. In refining the framework, the Commonwealth should place greater emphasis on preserving investment certainty, ensuring obligations are prospective and proportionate, recognising the distinct challenges of southern gas markets, and supporting the long-term development of new gas supply and the infrastructure required to deliver it. These design principles would better align the framework with its stated objective of improving Australia's long-term gas security.

Yours sincerely

Catherine Mooney
Chief Executive Officer
South Australian Chamber of Mines & Energy