South Australian Chamber Of Mines & Energy

SACOME

SACOME Submission

Domestic Gas Reservation Bill 2026 and Consequential Amendments Bill 2026

Date: 24 September 2026
Status: Final

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Executive Summary

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 supports measures to improve the availability, affordability and reliability of gas for Australian households and industry.

However, the exposure draft does not address SACOME's central concern: reallocating existing gas will not deliver the investment in new production, transport and storage infrastructure needed for long-term gas security.

SACOME raised this concern in its June 2026 submission on the Domestic Gas Reservation Scheme Draft Design Framework. SACOME also identified the risk that mandatory LNG-linked supply could displace domestic producers and weaken investment in future production.

The exposure draft provides more detail on how the scheme will operate but does not resolve these investment and deliverability constraints. It also creates further risks by requiring exporters to physically supply reserved gas where no reasonable domestic buyer is available and by applying an automatic 10% margin above the forecast domestic supply gap. These provisions could force unnecessary supply into the market, displace domestic producers and further weaken investment.

SACOME considers that significant changes are required before the scheme is implemented.

In particular, SACOME considers that the final legislation should:

- require a genuine domestic offer, not a forced sale;
- align the DSO with actual domestic requirements;
- ensure the additional-gas provisions support investment in new and increased supply;
- recognise physical and commercial deliverability constraints and support investment in gas transport and storage;
- protect existing LNG contracts and recognise State gas-security arrangements; and
- reduce regulatory burden and uncertainty.

These changes would better align the scheme with its objective of improving long-term domestic gas security while maintaining the investment required to develop and deliver future supply.

Recommendations

1. Require a genuine domestic offer, not a forced sale

Section 20 requires an LNG exporter to physically supply at least 90% of its minimum quantity during a regulated period. The exposure draft package separately regulates the process through which reserved gas is offered and sold.

In practice, this means making gas available to the domestic market is not enough. An exporter must ensure that most of its obligation is actually sold.

SACOME does not support this approach.

Where an exporter has made the required gas available on reasonable terms and no domestic customer is willing to purchase it, requiring a sale does not improve domestic gas security. It risks forcing gas into a market that does not need it and requiring uneconomic transactions simply to satisfy the physical supply requirement.

A reasonable-offer requirement must ensure that reserved gas is genuinely available to domestic buyers. Section 58 should require the AER to publish clear principles for determining whether an offer is reasonable. The assessment should consider whether the price, volume and period of supply make the offer genuinely capable of being taken up by a domestic buyer. It should not require a supplier to sell gas below cost, incur a loss or accept otherwise non-commercial terms.

Forced sales can also displace gas already being supplied by domestic-focused producers. Increasing mandatory LNG-linked supply can reduce the market available to existing domestic suppliers and weaken investment in future domestic production.

Minimum physical supply requirement

The government should replace the minimum physical supply requirement with a reasonable-offer requirement.

If the Government retains a minimum physical supply requirement, it should be reduced from 90% to 75%. This would provide a reasonable allowance for forecasting error and variations in domestic demand while maintaining a substantial physical supply obligation.

A fixed requirement that exceeds the gas domestic customers are willing and able to purchase risks forcing transactions without improving domestic gas security. It should not require exporters to sell gas beyond the amount required by the domestic market.

Deferred quantities

Section 21 allows quantities not physically supplied in one period to be deferred for supply in a subsequent period.

Gas genuinely offered on reasonable commercial terms but not purchased should satisfy the DSO. It should not be carried forward as a deferred quantity.

Carrying that gas forward does not address an unmet domestic requirement. It transfers the obligation to a later period, where it can increase supply regardless of market conditions and compound the risk of oversupply.

Recommendations:

- Amend Sections 20 and 21 and Section 58 of the Gas Market Code to replace the minimum physical supply requirement with a reasonable-offer requirement. Gas genuinely offered to the domestic market on reasonable commercial terms should satisfy the DSO where no reasonable domestic buyer is available and should not be treated as a deferred quantity.
- Require the AER to publish clear principles for determining whether an offer is reasonable. The principles should address price, volume and the period of supply and should not require a supplier to sell below cost, incur a loss or accept otherwise non-commercial terms.
- If Government retains a minimum physical supply requirement, reduce it from 90% to 75%.

2. Keep the DSO aligned with actual domestic requirements

Section 24 provides for the total DSO to be adjusted by reference to forecast domestic demand and supply. The amount exporters are required to supply should reflect the identified domestic requirement, rather than the headline reservation percentage.

This matters particularly for domestic-focused producers. Exploration, drilling and development decisions are made based in part on expected demand for their gas. If mandated LNG-linked volumes displace that demand, investment may be delayed or redirected, reducing future domestic production.

Section 24 sets the aggregate DSO at 110% of the forecast gap between domestic demand and supply expected from producers other than LNG exporters. SACOME does not support the automatic 10% margin. The default margin above the forecast supply gap should be set at zero. The AER should only apply a higher margin where it identifies a specific requirement, based on published criteria and evidence.

Requiring LNG exporters to supply more gas than is needed to meet the forecast gap risks displacing existing domestic supply and weakening investment without improving gas security. Even a relatively small margin can represent a material volume compared with the production of smaller domestic suppliers.

Banking and accrual arrangements can also distort the timing of supply. Exporters should not be able to carry quantities into a later period and release them independently of the domestic requirement for that period, particularly where this could expose domestic producers to oversupply and weaker prices.

The assumptions and methodology used to calculate the DSO should also be transparent and predictable. Producers, exporters, infrastructure providers and gas users need to understand the likely obligation when making contracting and investment decisions.

Recommendations:

- Amend Section 24 so that the DSO reflects the gas required to meet forecast domestic requirements after taking account of gas already expected to be available to the domestic market. The default margin above the forecast supply gap should be set at zero. The AER should only apply a higher margin where an identified market requirement justifies it, based on published criteria and evidence.
- Publish the methodology, forecasts and key assumptions used to calculate the DSO and subject them to appropriate independent scrutiny.

- Do not allow accrued credits and deferred quantities or other banking arrangements to increase the effective DSO above the identified domestic requirement for a regulated period or enable additional gas to enter the market independently of that requirement.

3. Ensure the additional-gas provisions do not discourage new supply

The Consequential Amendments Bill introduces production baselines and additional-gas arrangements through proposed Section 53WA of the Competition and Consumer Act and Sections 63-68 of the Gas Market Code. These provisions determine whether production is treated as additional gas and affect the gas LNG exporters can acquire to meet their DSO.

The DGRS can increase an exporter's obligation where it acquires gas that is not recognised as additional. The treatment of new production will therefore affect the commercial value of investing in and contracting for that supply.

Gas projects require substantial expenditure on exploration, appraisal and development before production begins. New supply can come from a new project or from further investment in an existing field.

Projects with no production history should receive a zero-production baseline. For an existing producing field, the baseline should reflect existing production and normal production decline, rather than assuming that undeveloped reserves or resources will be produced without further investment.

Incremental production from an existing field should be treated as additional gas where further material investment is required to bring that gas to market. This would ensure the baseline framework does not reduce the incentive to invest in new or increased production.

Producers and exporters need clear and predictable additional-gas treatment when investment and contracting decisions are made, often years before the resulting gas enters the market. Without that certainty, the DGRS could reduce the value of investing in and contracting for new supply.

Recommendation:

- Amend Sections 63–68 of the Gas Market Code so that:
  - projects with no production history can obtain a zero-production baseline;
  - production baselines for existing fields reflect existing production and normal production decline and do not assume production from undeveloped reserves or resources that require further investment;
  - incremental production from an existing field can be recognised as additional gas where material investment is required to bring that gas to market;
  - producers can obtain a binding additional-gas determination early enough for it to be relied on before final investment and contracting decisions are made; and
  - additional-gas status attaches to the gas and can be relied on by an LNG buyer regardless of subsequent changes in ownership, joint-venture structure or buyer.
- The AER should consult early on the baseline methodology and publish clear criteria and guardrails for setting production baselines.

4. Make the Section 25 infrastructure adjustment reflect actual deliverability

Section 25 allows an exporter's DSO to be adjusted where infrastructure constraints affect its ability to supply gas to the domestic market.

This is particularly important for South Australia. The exposure draft treats physically interconnected pipeline systems as domestic gas markets, meaning South Australia forms part of the broader interconnected eastern and Northern Territory gas market. Physical interconnection does not mean gas can necessarily be delivered to a customer where and when it is required.

SACOME's June 2026 submission identified that South Australia's gas-security challenge is not simply annual gas availability. SACOME members have identified pipeline connectivity, firm transport capacity, locational constraints, storage availability and peak-day and seasonal deliverability as constraints that can prevent gas reaching South Australian customers when it is required.

The Section 25 adjustment therefore needs to recognise commercial as well as physical deliverability. Pipeline connection or available nameplate capacity does not mean firm transport or storage capacity is available on reasonable commercial terms.

The assessment should recognise reasonable commercial steps taken by an exporter to address an infrastructure constraint. What constitutes “actively taking steps” should depend on what is commercially rational, proportionate, practicable and achievable within a reasonable timeframe, having regard to the long lead times for new gas and infrastructure projects. Relevant action may include contracting available transport or storage capacity or supporting commercially viable augmentation or new infrastructure.

An exporter should not be required to pursue an uneconomic or commercially unreasonable alternative, underwrite infrastructure that is not commercially viable or take action that would undermine project viability as a condition of obtaining an adjustment.

An adjustment can recognise an infrastructure constraint; it does not remove it. Increasing annual gas availability will not improve security in South Australia if the production, transport and storage capacity required to deliver that gas during periods of high demand is unavailable.

Investment in additional transport and storage capacity requires durable commercial signals and long-term contracting. The DSO framework should avoid creating uncertainty that discourages commercially viable investment before foreseeable constraints arise. Measures to address these constraints should remain technology neutral.

Recommendations:

- Amend the Section 25 infrastructure-constraint adjustment so that it:
    - recognises physical and commercial constraints on delivery, including connectivity, available firm transport capacity, locational constraints, storage limitations and peak-day and seasonal deliverability;
    - defines the commercial action that may demonstrate an exporter is actively taking steps to address a constraint, including contracting available transport or storage capacity or supporting commercially viable augmentation or new infrastructure;

- requires any such action to be commercially rational, proportionate, practicable and achievable within a reasonable timeframe, having regard to gas-project and infrastructure-development lead times; and
- does not require an exporter to pursue uneconomic or commercially unreasonable alternatives, underwrite infrastructure that is not commercially viable or take action that would undermine project viability as a condition of obtaining an adjustment.

- Infrastructure adjustments should apply for a period consistent with realistic infrastructure development timeframes and maintain an incentive to resolve foreseeable constraints.

5. Provide certainty for existing LNG contracts

Section 25 allows the Minister to adjust a DSO in relation to LNG contracts entered into on or before 22 December 2025.

The exposure draft does not automatically recognise those contracts. Under Section 25(4), the Minister must be reasonably satisfied that, without the adjustment, the exporter would be likely to breach the contract, cannot reasonably produce or acquire additional gas to meet the DSO, and is actively taking steps to improve its ability to make DSO supplies.

SACOME supports prospective and predictable regulation. Long-term LNG contracts entered into before the DGRS was announced were negotiated without knowledge of the future reservation obligation and underpin investment in gas production and associated infrastructure.

The Section 25 adjustment should provide a clear and workable pathway for recognising these existing contractual commitments. Requiring an exporter to demonstrate that it would otherwise be likely to breach a contract sets the threshold too narrowly. Existing contracts should be recognised before the DSO places their performance at risk.

The other conditions applying to an adjustment must also be commercially reasonable. An exporter should not be required to pursue uneconomic or commercially unreasonable supply alternatives, or take action that would undermine project viability, to obtain recognition of an existing contractual commitment.

The legislation should establish clear and objective criteria for these decisions. Exporters need certainty about the treatment of existing contracts before the relevant regulated period so they can plan production, domestic supply and export commitments.

Recommendation:

- Amend Section 25 so that:
  - qualifying LNG contracts entered into on or before 22 December 2025 are recognised without requiring an exporter to demonstrate that it would otherwise be likely to breach the contract;
  - decisions are made against clear and objective criteria and any requirement to produce or acquire additional gas or improve DSO supply is commercially rational, proportionate, practicable and achievable without requiring uneconomic action or undermining project viability; and
  - exporters receive a decision on the treatment of qualifying contracts before the relevant regulated period.

6. Recognise State domestic gas reservation arrangements

Sections 25 and 26 recognise that State-based domestic gas reservation arrangements can contribute to domestic gas security and should be taken into account in determining an exporter's Commonwealth obligation. However, Section 9 limits an "existing domestic gas reservation arrangement" to an arrangement in force on or before 22 December 2025.

This cut-off excludes State measures introduced after the DGRS was announced but before the Commonwealth legislation commences, including the South Australian Strategic Gas Reserve.

State domestic gas reservation arrangements address the same gas-security challenge as the DGRS. Where they commit gas to domestic markets, that gas should count towards the corresponding Commonwealth obligation. The exposure draft recognises this principle through sections 25 and 26, and the Explanatory Memorandum confirms that section 26 is intended to accommodate existing arrangements that secure domestic gas outcomes despite different timeframes or methodologies.

There is no policy basis for excluding an arrangement introduced after 22 December 2025 but before the Commonwealth scheme commences.

The Commonwealth should expressly recognise State arrangements that secure defined volumes for domestic gas consumption, including the South Australian Strategic Gas Reserve, irrespective of whether the arrangement commenced before the commencement of the Commonwealth DGRS. Gas supplied or committed under the Reserve should count towards the relevant Commonwealth obligation so the same domestic supply outcome is not required twice.

Recommendations:

- Amend the definition of "existing domestic gas reservation arrangement" in Section 9 to include domestic gas reservation arrangements in force before commencement of the Act.
- Amend Sections 25 and 26 so that gas supplied or committed under a recognised State arrangement counts towards satisfaction of the relevant Commonwealth DSO and is not subject to duplicative obligations.

7. Avoid unnecessary compliance burden and uncertainty

The exposure draft establishes a new regulatory framework for LNG exports, including export licences, compliance plans, reporting, financial assurance and AER oversight.

These requirements should be proportionate to the regulatory risk being managed and should not duplicate information already provided through existing gas-market or regulatory reporting.

The exposure draft also leaves material elements of the scheme to ministerial discretion, subsequent rules, AER determinations and guidance. This creates uncertainty about how obligations will be calculated and applied.

Producers and exporters enter long-term contracts and make capital-allocation decisions well before gas is produced or exported. Material rules, methodologies and ministerial decisions affecting a DSO must therefore be governed by clear criteria and settled within timeframes that allow affected businesses to plan their contracting, investment and compliance activities.

Recommendations:

- Ensure the compliance, reporting and financial-assurance requirements do not duplicate existing regulatory obligations and remain proportionate to the regulatory risk being managed.
- Settle material rules and AER methodologies affecting the calculation and discharge of a DSO sufficiently before obligations commence.
- Apply clear and objective criteria to material ministerial decisions and make those decisions transparently and within timeframes that provide affected businesses with certainty before the relevant regulated period.

Conclusion

Gas security ultimately depends on investment in production and in the transport and storage infrastructure required to deliver gas to customers when it is needed. Reallocating existing gas does not overcome those constraints and can weaken the investment signals required to increase future supply.

The exposure draft does not adequately address the investment, infrastructure and deliverability issues SACOME raised in its June 2026 submission on the Domestic Gas Reservation Scheme Draft Design Framework. The detailed design also creates additional risks, particularly where exporters can be required to sell gas that the domestic market does not require.

The draft legislation should be amended so that obligations reflect genuine domestic requirements and gas genuinely offered on reasonable commercial terms satisfies the DSO where no reasonable buyer is available. The treatment of additional gas, infrastructure constraints, existing LNG contracts and State gas-security arrangements must also provide the certainty required to support investment in new production and infrastructure.