
APGA SUBMISSION: GAS MARKET REVIEW FINAL REPORT

13 MARCH 2026





Introduction

The Gas Market Review (GMR) took place at a crossroads for the East Coast Gas System (ECGS). Alongside global headwinds resulting from Russia's illegal war on Ukraine, there are existing structural supply-demand imbalances that have led to forecast shortfalls over the coming decade. Coupled with changing residential and industrial demand in some states, and an increasingly burdensome and unpredictable regulatory framework, the environment for private investment in both gas supply and gas infrastructure has been, at best, challenging.

Regulatory instruments designed to increase domestic gas supply are no longer fit for purpose and cannot provide sufficient long-term certainty for investment and supply to gas market participants. This is not industry rhetoric, rather a key finding of the GMR.

To address this, the GMR proposes implementing a domestic gas reservation scheme to ensure domestic supply of gas and simultaneously lifting those regulatory instruments impeding the market. This approach will provide much-needed signals to invest in both domestic supply and the infrastructure that will provide it to the market. As evidenced by recent major investment decisions, the gas infrastructure industry will respond when it can see policy settings are supportive, and APGA is confident that forecast gas supply deficits can be managed or averted if the Commonwealth enables market-led investment.

To achieve this, APGA recommends the GMR framework contributes to a stable regulatory and investing environment where the market is able to respond to investment signals faster and more efficiently than any government-led intervention, through:

- **Encouraging private sector investment in pipeline networks and storage** (GMR Recommendation 5c). This will require amendments to the National Gas Law framework to lift a major contributor to regulatory uncertainty chilling gas infrastructure investment on the east coast – the AER's self-initiated Form of Regulation Review, and to incentivise developments and foundation customer contracting (as in Recommendation 5e).
- **Addressing supply, which is fundamental to securing ECGS reliability.** A gas reservation scheme that incentivises the development of lowest-cost supply, underpinned by long-term contracting, and avoids implementing any additional barriers to investment will provide this certainty. Additional proposed reforms such as market liquidity and mechanisms to boost short-term spot market trading (Recommendations 9-11) will add to regulatory uncertainty and further distort the market.

- **Avoiding implementing further barriers to investment, specifically additional powers for AEMO to invest in infrastructure** (Recommendation 5d). Such powers would immediately become a default requirement for gas infrastructure development, increasing cost and inefficiency, and will stand in direct contradiction with the aim to improve private sector investment.

Encourage private sector investment in pipeline networks and storage

Regulatory reform must encourage private sector investment

The private sector is best placed to develop and deliver the necessary gas infrastructure to connect supply and demand, quickly and efficiently.

APGA is pleased to see this recognised in Recommendation 5c of the GMR Report, which encourages private sector investment in pipeline networks and storage. The gas infrastructure industry has materially responded to market signals to invest as much as it can under the current regulatory framework.

A substantial suite of pipeline, storage and related infrastructure projects has either recently reached completion or are well advanced, and a further pipeline of major investments is progressing across the east coast. These are just the infrastructure projects that have been publicly announced; market participants are well aware of more infrastructure projects that are being actively scoped and investigated.

Project	Status
Northern Goldfields Interconnect	Completed 2023
Western Outer Ring Main	Completed 2023
Sturt Plateau Pipeline	Nearing completion
Eastern Gas Pipeline reversal (initial stage)	Nearing completion
Port Kembla Energy Terminal (PKET)	Operational ready
Moomba to Sydney Ethane Pipeline conversion	Nearing completion
Heytesbury Underground Gas Storage – Stage 1	Under construction
East Coast Gas Grid Stage 3A	FID made. Delivery March 2028.
SA Outer Harbour LNG Import Terminal (AG&P)	FID ready
Golden Beach Energy Storage Project	Progressing to FID
East Coast Gas Grid Stage 3B	Progressing to FID
South West Pipeline Expansion	Commenced regulatory approval process
Geelong LNG Import Terminal (VIVA)	In environmental and development approvals
Beetaloo Basin projects	Early development works underway
Hunter Gas Pipeline	Development of concept and initial stakeholder engagement
Port Phillip Bay LNG Import Terminal (Vopak)	Development of concept and initial stakeholder engagement
Port Campbell to Western Melbourne Transmission Pipeline	Development of concept and initial stakeholder engagement

Compression to permit reversal of the EGP from Wilton to Longford	Early development works underway
East Coast Gas Grid Stage 4	Development of concept
East Coast Gas Grid Stage 5	Development of concept
Heytesbury Underground Gas Storage – Stage 2	Development of concept

These investments have advanced in spite of pronounced market disruption and heightened regulatory risk. This disruption has likely affected the timing of some investments but has not extinguished investment intent, and infrastructure development is expected to continue as market needs persist.

By way of recent example, in February APA announced that it would be proceeding with Stage 3 of its East Coast Gas Grid (ECGG) Expansion Plan, which will add approximately 30% additional transport capacity and address projected southern market gas shortfalls from 2028.¹ This project had been materially and, arguably, needlessly delayed by the Australian Energy Regulator (AER)'s decision in 2024 to undertake a Form of Regulation Review of the South West Queensland Pipeline, a key component of the ECGG.

While this announcement progresses Stage 3A to Final Investment Decision (FID), Stage 3B is subject to the outcomes of this Gas Market Review process. The impact of the Form of Regulation Review process is considered later in this submission.

The chilling effect of over-regulation

It is timely that the Gas Market Review recognises the contribution of access regulation to a slow investment environment. While not discussed extensively in the GMR Report, Recommendation 5e acknowledges that reforms would improve incentives for investment and foundation contracting, thereby increasing the level of investment.

Notwithstanding recent investments in gas infrastructure in the east coast there remains considerable regulatory barriers which have chilled the investment pipeline.

The chilling effect of access regulation on infrastructure investment is a well understood economic principle. In short, *if an investor expects that future regulatory decisions will appropriate the returns of an investment, the investor may delay, scale back or avoid investing altogether.*

This principle has been acknowledged and set out in the foundation of modern competition regulation in Australia, the Hilmer Review. It featured across the Productivity's Commission's 2013 Review of the National Access Regime. APGA recommends Professor

¹ APA Group, 2026, *APA to deliver pipeline capacity needed to solve projected east coast gas shortfalls*, media release, 19 February 2026, <https://www.apa.com.au/news/asx-and-media-releases/apa-to-deliver-pipeline-capacity-needed-to-solve-projected-east-coast-gas-shortfalls>

Allan Fels AO's submission to the 2013 Review of the National Access Regime as a comprehensive review of the mechanisms by which access regulation can deter investors.²

The increased pace of regulation is chilling investment

Legislative efforts to avert the chilling effects of regulation on pipeline investment have stagnated since 2006, when Greenfields Incentive and Price Protection Determinations were incorporated into the *Gas Pipelines Access (South Australia) Act 1997*. Conversely, over the last decade, the access regime for gas pipelines set out in the National Gas Law has changed dramatically, with the ability of the regulatory regime to intervene in the commercial arrangement of a pipeline increasing in multiple consequential ways. The timeline of these changes is set out in the table below.

2016	<p><i>April/May</i> - ACCC East Coast Gas Inquiry and AEMC East Coast Review recommended significant reforms.</p> <p><i>August</i> - Federal Government announced Gas Market Reform Package.</p>
2017	<p><i>May</i></p> <ul style="list-style-type: none"> • COAG EC requests AEMC review the scope of economic regulation applied to covered gas pipelines • COAG EC commences consultation on the operation and administration of the Capacity Trading Platform(s) and Day-Ahead Auction <p><i>August</i></p> <ul style="list-style-type: none"> • Part 23 of the NGR introduced to create a new category of "non-scheme" pipelines, alongside full regulation and light regulation. This also set out a mandatory code of conduct for commercial arbitration for non-scheme pipelines. • Pipeline Information Disclosure reforms also require operators to publish more information about their capacity, usage, and pricing.
2018	<p><i>February</i> - AEMC commences consultation into the scope of economic regulation applied to covered pipelines.</p> <p><i>July</i> – AEMC publishes Final Report recommending changes to the economic regulation framework for full and light regulation pipelines.</p>
2019	<p><i>March</i> – Day Ahead Auction and Capacity Trading platforms introduced.</p> <p><i>August</i> – Government consults on RIS for a package of reforms for transparency in the eastern and northern Australian gas markets.</p>
2020	<p><i>March</i> – Energy Ministers endorsed a Decision RIS on gas market transparency options</p> <p><i>November</i> – Government consults on RIS for package of reforms of pipeline regulation.</p>
2021	<p><i>May</i> - Energy Ministers endorsed a Decision RIS on a package of reforms of gas pipeline regulation.</p>

² Fels AO, Prof. A, 2013, *Submission to the Productivity Commission Inquiry into the National Access Regime*, <https://assets.pc.gov.au/inquiries/completed/access-regime/submissions/submissions-test/submission-counter/sub040-access-regime.pdf>

	<p><i>September</i> – Government consults on draft legislation to give effect to the Decision RIS on options to amend gas pipeline regulation.</p>
2022	<p><i>March</i> - Energy Ministers agreed to a final package of gas pipeline regulatory amendments.</p> <p><i>August</i> - Energy Ministers directed Officials to progress East Coast Gas Reliability and Supply Adequacy (ECGS RSA) reforms.</p>
2023	<p><i>March</i></p> <ul style="list-style-type: none"> • Pipeline regulation amendments commenced, reducing to full (“scheme”) and light (“non-scheme”) regulation, and giving the AER the power to undertake “Form of Regulation Reviews”. • Greenfields Incentive and Price Protections commenced. • Pipeline Information Disclosure obligations commenced, requiring pipeline operators to disclose and report on pipeline services and standing terms; service availability and service usage; a user access guide; historical financial and demand information and the cost allocation methodology employed by the service provider; and actual prices paid by shippers. <p><i>April</i> - ECGS Reliability and Supply Adequacy Reforms - Stage 1 commences, expanding powers for AEMO to monitor supply shortfalls and assess risks through new mandatory reporting obligations for industry participants; and issue binding directions to participants to manage supply adequacy.</p> <p><i>June</i> – Government consults on proposed ECGS RSA package of reforms.</p> <p><i>December</i> – Energy Ministers agree to final ECGS RSA package of reforms.</p>
2024	<p><i>February</i> - AER initiates Form of Regulation Review program of two reviews per year, and commences Review of the South West Queensland Pipeline.</p> <p><i>May</i> – APA informs the market it has paused the East Coast Gas System Expansion project pending the outcome of the FoRR of the SWQP.</p> <p><i>June</i> – AEMC commences consultation on a Rule Change Request to better integrate gas into the ISP.</p> <p><i>November</i> - AER initiates gas wholesale market monitoring and reporting powers to track spot prices, participant behaviour and bilateral contracts.</p> <p><i>December</i> – AEMC publishes Final Determination to better integrate gas into the ISP.</p>
2025	<p><i>March</i> - AEMC commences consultation on a Notice of Closure framework as part of the ECGS RSA Stage 2 reform package.</p> <p><i>April</i> - AEMC commences consultation on a Projected Assessment of Supply Adequacy framework as part of the ECGS RSA Stage 2 reform package.</p> <p><i>June</i></p> <ul style="list-style-type: none"> • Government commences consultation on the Gas Market Review. • AEMC consults on a Draft Determination on a Notice of Closure. <p><i>July</i> – AEMC consults on a Draft Determination on the PASA. Final Determination to be made in July 2026.</p>

	<p><i>August</i> – AEMC commences consultation on a Directions Paper to progress the development of a reliability standard and related reliability tools as part of the ECGS RSA Stage 2 reform package. A Draft Determination to be made in February 2026.</p> <p><i>September</i></p> <ul style="list-style-type: none"> • AEMC commences consultation on a Supplier of Last Resort Mechanism as part of the ECGS RSA Stage 2 reform package. • AEMC publishes a Final Determination for a Notice of Closure. • AEMC commences consultation on four rule changes to redesign the economic regulatory and capital recovery framework for gas distribution pipelines, packaged together as Gas Networks in Transition.
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Alongside the GMR Report, further reforms loom in 2026 as the AEMC progresses rule change requests to implement reliability and supply adequacy tools for the ECGS and the Gas Networks in Transition package.

It is clear that the ability of regulatory tools and decisions to intervene in the commercial arrangements of a gas pipeline has increased dramatically since 2017, with the ultimate effect being uncertainty baked into the rules of engagement. While it is impossible to quantify the impact of this on investment in gas infrastructure, it is possible to say that is likely it has chilled investment in gas infrastructure. It is definite that in 2026 the East Coast Gas Market would benefit from more investment in gas infrastructure.

Gas Market Review identifies necessary access reforms but must go further

APGA is pleased to see Recommendation 5e implicitly acknowledges the chilling effect of access regulation by recommending examining the merit of amending the National Gas Law for two specific reforms: the Greenfield Incentive, to incentivise development, and the Day Ahead Auction, to incentivise long term contracting.

Recommendation 5e (i): Extending the Greenfield Incentive to brownfield investments to incentivise development.

When developing infrastructure options, there are greenfield (new) and brownfield (expansion of existing) options. Often, there will be competing proposals. There are cases where it may be more efficient to expand the capacity of an existing pipeline, rather than building a new one. It also likely to be faster and easier to expand existing pipelines than go through the extensive approvals processes to build a new pipeline.

Where greenfields projects are competing with brownfields projects, the Greenfield Incentive and Price Protections in the National Gas Law³ may lead to outcomes where less efficient greenfields projects can more easily reach FID than more efficient brownfields projects, or lead to pipeline length extensions instead of capacity expansions.

³ National Gas Law, Chapter 3, Part 3, Divisions 1-3

To encourage private investment in all types of gas infrastructure, it is appropriate to consider how the regulatory protections of the Greenfields Incentive can be extended to brownfields investment.

Recommendation 5e (ii): Providing exemptions to the Day Ahead Auction to incentivise foundation contracting.

The Day Ahead Auction (DAA) was introduced to address a perceived inefficiency of contractual congestion of pipeline resources on the East Coast. The DAA allows gas transport customers to bid for access to contracted but un-nominated transportation capacity, with a reserve price of zero. Because of this, on some days, transport customers can access services for free. This effectively embeds a free rider problem in the gas transport market and disincentivises gas customers from contracting all, or even most, of their transport needs. This is especially true for entering foundation contracts for new capacity: any gas customer will be rightly concerned that competitors can frequently access the new capacity through the DAA on very favourable terms.

The DAA may enable a “more efficient” allocation of pipeline capacity on existing pipelines, but it does this at the cost of disrupting the link firm gas transport contracts and the economic viability of new pipeline development. Exemptions to the DAA for new pipeline developments could incentivise foundation customer contracting.

APGA agrees that these amendments to the National Gas Law should be progressed, given we proposed both these reforms in our original submission to the GMR. Given the need and intent to encourage private investment in all types of gas infrastructure, it is highly appropriate to consider how the regulatory protections of the Greenfields Incentive can be extended to brownfields investment, and how exemptions to the Day Ahead Auction could avert the free-rider problem and incentivise foundation contracting.

The above recommendations in the GMR are an excellent start, but are not the only reforms that should be considered. There are many nuances of regulation that could form part of a broader review of the access regime.

For example:

- In the interconnected East Coast Gas System, it is possible for augmentation through new or expanded infrastructure to free up capacity in another part of the network. The regime should consider how it can properly encourage this additional capacity with exposing an investor to further regulatory risk.
- The DAA was intended to address contractual congestion, yet applies to pipelines that are not fully contracted. This limits the ability of some expansion projects to proceed.
- The decade of reform culminating in 2023’s Form of Regulation Review being added to the NGL means the overarching access regime for gas pipelines bears no resemblance to the National Access Regime in Part IIIA of the *Competition and Consumer Act 2010*

on which it was originally based. There are elements of these changes that should be at least reviewed.

But the chief barrier to investment that must be lifted, as a priority, is the AER's power to undertake self-initiated Form of Regulation Reviews.

The investment elephant in the room: the Form of Regulation Review

Prior to 2023, changes to the form of regulation applying to pipeline, or "coverage", were subject to a robust decision-making framework and required ministerial determination. This ensured that decisions with broad public interest implications were not left solely to regulators who would also then be responsible for applying the form of regulation they determined.

Key elements of heavy regulation under the National Gas Law include the AER setting an asset value and a reference tariff for a reference service that must be provided by an asset owner. Importantly, unlike for electricity infrastructure, the NGL provides no revenue certainty to a gas pipeline; an asset owner must still secure contracts from market participants to generate revenue.

Key elements of light regulation include a mandatory code of conduct for commercial negotiations, extensive transparency obligations and the ability of a customer to seek binding commercial arbitration.

Amendments to the National Gas Law in 2023 introduced the Form of Regulation Review (FoRR), which is the mechanism by which it is determined if a pipeline should be a scheme or non-scheme pipeline. That is, should a heavy or light form of access regulation apply.

This gave the AER the power to self-initiate FoRRs for any non-scheme pipeline at any time. These can be initiated without a complaint, ministerial referral, or requirement to demonstrate material concern. This is a clear departure from the original policy intent of Energy Ministers, which was to provide a mechanism for the "relevant regulator (AER/ERA) to more actively monitor the behaviour of service providers and to refer pipelines for a form of regulation assessment (review) **if it suspects market power is being exercised.**"⁴

The existence of the FoRR directly increases regulatory risk

There are several fundamental characteristics of the FoRR that materially increase regulatory risk to investors from the risks that previously existed under the former access regime based on the National Access Regime.

Characteristic	Old mechanism – coverage test (pre-2023)	New mechanism – FoRR (post-2023)
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⁴ Energy Ministers, 2021, *Options to improve gas pipeline regulation - RIS for Decision*, <https://oia.pmc.gov.au/sites/default/files/posts/2021/09/Pipeline%20Decision%20Regulation%20mpact%20Statement.pdf>

Review body	National Competition Council (NCC)	Australian Energy Regulator (AER)
Trigger	Application made to the NCC by 'any person'	Application made to the AER by 'any person', and the AER can self-initiate a review
Reason for review	Third party applicants must provide a reason for the application for a review	Third party applicants must provide a reason for the application for a review The AER is not required to provide a reason for its review
Decisions on form of regulation applying to pipeline	NCC made recommendation to the Minister in relevant jurisdiction	AER
Implementer of change	AER	AER

While there are clear and reasonable guardrails around third party applications for a review, the AER is not similarly guided by those guardrails: the AER can initiate a review, at any time, for any pipeline, for no specific reason. These features combine to dramatically increase the likelihood of reviews occurring and that reviews will lead to higher levels of regulatory intervention.

There are many reasons APGA considers these risks high. Fundamentally, infrastructure regulators are very likely to have different views to infrastructure investors on market risk, asset value, rates of return and other matters which mean it very likely a regulator will form a different view to asset owners on appropriate tariffs for access to infrastructure – that increased regulation is beneficial.

This is a major regulatory risk that chills investment. The AER can retrospectively determine an 'efficient' asset value and new tariffs for access. Hence, new greenfield and brownfield transmission projects must now price in the risk of a mid-project regulatory change, on top of existing commercial risk: the cost of debt, the equity risk premium, and the capital recovery risk can all rise, while reclassification triggers a lengthy access arrangement process that can block returns on new investment for up to 2 years.

An asset owner can provide terms and conditions for access that are acceptable to customers but still be subject to a review process if the AER considers it may be in the interest of the National Gas Objective.

These risks can render otherwise viable investments uncommercial, and/or additional costs are ultimately borne by consumers through higher transmission tariffs and wholesale market prices. And this has indeed been the case: the AER's FoRR of the South West Queensland Pipeline prompted APA to pause its investment in Stage 3 of the ECGG Expansion, with FID for Stage 3a only announced in February 2026.

Form of Regulation Review of the South West Queensland Pipeline

In March 2024, the Australian Energy Regulator initiated a FoRR on the South West Queensland Pipeline (SWQP). This review was not in response to any complaint or evidence of market failure, but rather as the first in a program of reviews.

In May 2024, APA Group paused its proposed ECGG Expansion, a five-stage project that would lift north-south capacity by ~24% and included augmentation to the SWQP. APA cautioned at the time that an adverse outcome “delayed critical projects that would otherwise strengthen the East Coast Gas Grid” and could “stymie investment and drive up end-user costs.”

The AER ultimately decided not to change the form of regulation applying to the SWQP – “at this time”. It conceded in its final decision that while it considered investment impact on the SWQP itself to be transitory and that it was unlikely that uncertainty created by the scheme regulation process would significantly impact pipeline investment, “it could have broader implications for the east coast gas market at this time.”⁵

Along with direct delays to APA’s ECGG Expansion, this process also signalled to the market a readiness by the AER to continue to intervene, chilling investment signals for broader investment across the interconnected east coast.

These risks are clearly at odds with the Gas Market Review’s Recommendation 5c, to encourage more private sector investment in pipeline networks and storage, and indeed Recommendation 5e which urges examination of two tools in the National Gas Law to address chilling of investment.

The FoRR powers were implemented in 2023. Three years and one FoRR process later, APGA considers that this is an appropriate timeframe to review how these powers are operating. Given changes to the FoRR will require changes to the National Gas Law which will likely undergo considerable revision following the Gas Market Review, failing to include the FoRR in those revisions will leave investors fighting an upstream current.

Addressing supply is fundamental to securing ECGS reliability

APGA has consistently articulated, including in the submission to the Gas Market Review, that addressing the difficulties in investing in new gas supply will make the most impact on gas supply and capacity issues.

When it comes to developing that supply, however, APGA acknowledges there are significant structural issues in the East Coast Gas System which make pure market-led solutions difficult. This, in turn, has contributed to reliability and supply adequacy risks in

⁵ AER, 2024, *Final Decision – South West Queensland Pipeline form of regulation review*, <https://www.aer.gov.au/system/files/2024-12/AER%20-%20Final%20decision%20for%20SWQP%20form%20of%20regulation%20review%20-%206%20December%202024.pdf>

the east coast, and subsequent higher gas prices for consumers. These issues have led to a series of well-intentioned interventions including the Australian Domestic Gas Security Mechanism, the Heads of Agreement, and the Gas Code of Conduct, all designed to support domestic supply. But APGA agrees with the GMR Report that in 2026, those instruments are no longer fit for purpose and have not been able to establish sufficient long term investment certainty.

A gas reservation scheme would support domestic supply

APGA agrees in principle with the GMR Report recommendation to create a domestic reservation scheme to ensure gas is proactively supplied by Australian gas producers to the domestic market. APGA is largely agnostic about the specifics of the operation of the scheme, provided it enables the development of genuine additional supply to the market, but there are important nuances and principles that should guide its development.

A domestic scheme should, at a minimum,

- Be prospective, and designed in a manner which does not impede or impact existing contracting arrangements and commitments, or unnecessarily distort market pricing.
- Enable and prioritise lowest-cost options for compliance by providing producers flexibility in how they meet their obligations via a mix of technologies including onshore pipelines, and regasification terminals to improve Australia’s energy system security.
- Ensure gas reserved under the scheme is genuinely new supply across a diversity of regions, rather than displaced supply, and managed in a way that does not undermine competition in the market.
- Have clear and reasonable implementation timelines which provide certainty to the market.
- Ensure reserved volumes are made available on a long-term, rather than a short-term contracting basis and avoid prioritising market liquidity over long term contracting, which is the foundation of investment in the necessary infrastructure to transport gas efficiently to where it is needed.

Ultimately the scheme should be designed to allow the market to deliver, without additional interventions that will act to distort the market and disincentivise investment. This includes the proposed Recommendation 5d.

Avoiding implementing further barriers to investment

Additional powers for AEMO will disincentivise private sector investment

APGA warns that Recommendation 5d, to continue to support work underway through ECMC to potentially expand AEMO’s powers to “enable it to better address gas infrastructure constraints in the east coast market”, will actively *disincentivise* private sector investment in pipeline networks and storage.

APGA's full commentary to the Energy and Climate Ministers Council consultation on the proposed reforms provides more detail,⁶ but in summary, the proposed Long Term Reliability and Supply Adequacy (LT RSA) tool will

- Materially influence commercial decisions in several predictable ways, resulting in unintended consequences including inefficient project selection, a reduction in long term contracting or length of contracts, and an increase in the cost of capital.
- Become an implicit precondition, rather than the proposed last resort, for pipeline projects reaching FID.
- Risk inefficient investment or an overbuild of infrastructure, which will ultimately cost gas consumers more.

The LT RSA will likely result in a decrease in *efficient* market-led investment, as less efficient projects are nonetheless selected for through the influence of the tool.

APGA considers that the LT RSA is unnecessary in a future investment environment where a domestic reservation scheme is operating. The gas infrastructure industry has consistently demonstrated a strong capacity to respond to market signals, with recent investment decisions reinforcing this track record despite significant structural barriers created by regulation.

APGA recommends that the Commonwealth not proceed with Recommendation 5d – noting this is part of a separate consultation process. It will not support the private sector gas infrastructure investment Recommendation 5c seeks to encourage.

Gas Market Review reforms could add further investment barriers

As discussed above, regulatory uncertainty is a barrier to long-term contracting, and so addressing this uncertainty should be a key priority for the GMR alongside implementing a domestic reservation policy. This should not be complicated by the introduction of other reforms, as this will introduce still more regulatory uncertainty while the market considers the impact of and responds to the substantive reforms.

While removing duplicative reporting requirements in Recommendation 14 and 15 are welcomed, the GMR Report goes further to propose other market reform measures. Some of these are relatively minor, but others represent significant structural reforms. Mandating the use of the Gas Supply Hub (Recommendation 9b) and AEMO-facilitated spot markets (Recommendation 9c) seek to replicate market models internationally or import concepts from the electricity market, which are not appropriate to the Australian gas market context. There may be benefits to considering such reforms in the future, but to do so at the same time as a major market reform such as implementing a domestic gas reservation scheme risks distortion of incentives and adds further regulatory risk.

⁶ APGA, 2026, *Submission: Proposed extension of AEMO's reliability and supply adequacy functions*, <https://apga.org.au/submissions/proposed-extension-of-aemos-ecgs-rsa-functions>



APGA comments on Gas Market Review Recommendations

Recommendation	APGA Response
<p>1. To address forecast gas shortfalls and ensure domestic energy security the Government could establish a domestic gas reservation scheme as part of fundamental reforms to gas market settings.</p>	<p>APGA agrees in principle that a domestic gas reservation scheme is likely the best available option at this time, but must make additional gas available and deliverable to the market.</p>
<p>A domestic gas reservation scheme could be guided by the following parameters and principles: 2a. Existing contracts would be respected – both domestic and international contracts.</p>	<p>This principle is fundamental.</p>
<p>2b. Capacity to be national in scope, working in tandem with federal, state and territory gas market mechanisms</p>	<p>Agree in principle, noting WA has their own scheme that must be respected given it is designed for that's state's specific context</p>
<p>2c. Aim to commence in 2027</p>	<p>Agree and ideally as early as possible in 2027 to have maximum impact on addressing future shortfalls. A clear and transparent implementation and transitional timetable will need to be developed as soon as practicable as unclear timing is likely to give rise to continued hesitancy in long-term contracting.</p>
<p>2d. Consultation on design to ensure additional domestic supply as existing contracts expire, and to drive downward pressure on price.</p>	<p>Agree – industry-led design is necessary for the success of the scheme, which must necessarily include measures to genuinely increase domestic gas supply without displacing or crowding out existing or prospective domestic supply.</p>
<p>2e. If the domestic gas reservation model requires export approvals, exporters will need to meet domestic supply obligations before exports are approved.</p>	<p>Agree in principle as long as this does not impact existing supply agreements.</p>
<p>2f. Producers would have flexibility to meet domestic and export obligations through a variety of standard commercial/market based arrangements, including contracting with exporters or domestic producers so long as supply obligations are met.</p>	<p>The scheme should not aim to be prescriptive over the method of meeting domestic obligations as long as genuine supply is developed. Participants should have flexibility in how they meet their obligation, whether by:</p> <ul style="list-style-type: none"> - Supplying the required volumes directly from their production facility; - Underwriting domestic supply that would not otherwise proceed; or - Cargo swapping arrangements.

<p>2g. Encourage long term domestic gas supply contracts to support investment decisions which rely on gas as an input, including commercial and industrial (C&I) users and supporting gas infrastructure providers.</p>	<p>While long-term contracts provide certainty for gas producers, gas users, and infrastructure providers, gas users have the choice of entering long-term contracts or relying on shorter-term arrangements. Increasingly, long-term contracts are not the preferred arrangement and encouraging them will require genuine consideration of the barriers to entering into those contracts – both on the supplier side and the customer side.</p> <p>Continued policy and regulatory uncertainty is a key barrier to long-term contracting, which includes reforms such as the Long Term RSA tool, the Form of Regulation Review, and the market liquidity obligations in Recommendation 9.</p>
<p>2h. Provide long term certainty for commercial production and investment, including by clearly setting domestic supply requirements well in advance of establishment and minimise impact on Australia’s LNG trade partners and their energy security.</p>	<p>Agree.</p>
<p>3. An appropriately designed domestic reservation scheme would enable streamlining of the regulatory framework for gas supply and security by removing the ADGSM, the CME framework in the Code and the HoA</p>	<p>Not oppose. These instruments are clearly no longer fit for purpose and arguably have contributed to the poor investment environment. However market participants must be given clarity on when and how these instruments will be removed, and transitional arrangements.</p>
<p>4. To inform implementation by the end of 2026, Government could publicly consult on detailed design of a domestic gas reservation scheme to ensure fit for purpose design and implementation, build trust, and establish buy in among stakeholders.</p>	<p>Agree. The design of the scheme should be determined in close consultation with industry to ensure it is workable and fit for purpose.</p>
<p>To complement a domestic gas reservation scheme, the Government could also</p> <p>5a. Amend the Code’s provisions relating to how gas is offered and sold in the domestic market to ensure reserved gas must be supplied to the domestic market, rather than only offered (as under current HoA obligations).</p>	<p>Not oppose. The design of the framework needs to allow for flexibility in market participants meeting their obligations to ensure the most efficient outcomes for end users are realised.</p>
<p>5b. Affirm the importance of AEMO’s existing Stage 1 powers, introduced in 2022, to manage gas supply and adequacy and reliability risks in the short to medium term, and continue the important work of implementing Stage 2 of these reforms.</p>	<p>Not oppose. AEMO’s Stage 1 powers appear to be fit for purpose at this stage, and are bring used appropriately and only when necessary.</p>

	<p>Given the significant temporal gap between when the Stage 2 framework was outlined, and the expected completion of both the Rule changes and necessary Guidelines, it is possible that these instruments may not be completed in time for the forecast reliability risks they are intended to address. The Stage 2 powers should be given some time in effect before any further changes (such as the Long Term RSA tool/Stage 3) are considered.</p> <p>In the meantime, the process of developing these powers has added to the regulatory uncertainty risk, with uncertain benefit.</p>
5c. Continue to support work underway through ECMC to potentially expand AEMO's powers to enable it to better address gas infrastructure constraints in the east coast market, and with Resources officials, to examine medium term barriers to gas projects in bringing on supply.	Disagree. APGA does not support expanding AEMO's powers to incorporate a Long Term RSA tool to enable it to directly invest in the market. Such a tool will significantly distort the market, and likely permanently impact its ordinary operation and investment signals.
5d. Encourage private sector investment in pipeline networks and storage to ensure that reserved gas can be transported and stored near demand centres affordably at sufficient capacity.	Agree. APGA notes that Recommendation 5c directly contradicts this recommendation, and will act to disrupt private sector investment into gas infrastructure.
5e. Assess the merits of amending the NGL framework to: <ul style="list-style-type: none"> i. extend regulatory exemptions available to greenfield gas pipeline to brownfield projects which expand capacity to incentivise developments; and ii. enable greenfield and brownfield projects to seek an exemption from the Day Ahead Auction to incentivise foundation customer contracting 	<p>APGA notes that amendments to the Form of Regulation Review power in the NGL must be addressed. They represent a fundamental barrier to investment and have chilled necessary investment in the East Coast Gas System since its reform in 2023.</p> <p>APGA also agrees that the operation of these specific instruments should be reviewed to help avert some existing disincentives for investment – at the same time as FoRR reforms are addressed.</p>
6. Contingent on introduction of a domestic gas reservation scheme and complementary changes putting downward pressure on domestic prices and avoiding scarcity pricing, the Government could consider phasing out the Code's reasonable price mechanism and CME framework, subject to appropriate transitional arrangements.	Agree, noting it is critical that the Government provide transparent timeframes and transitional arrangements and expectations as soon as practicable to avoid further disincentivising long-term contracts.
7. Market efficiency reforms identified in this Review that improve competition, transparency and availability of gas can put downward pressure on domestic prices. For users who are unable to transition to	It is more appropriate to direct targeted measures through Industry policy, rather than through the energy market.

alternative energy sources, and who require lower prices than gas producers can sustain, more targeted measures may be needed.	
8. For industrial users unable to switch from using gas as an energy source or feedstock in the short to medium term, and who are considered critical to Australia's sovereign interests, where the impact of a gas reservation scheme and improved market conduct is not expected to sufficiently reduce prices, the Government could consider options to ensure they are able to continue operating.	Agree, see above.
9 - 11	<p>The Gas Market Review should prioritise the role of long-term contracting rather than the development of short-term markets. What is needed is long-term certainty, not greater market liquidity for its own sake.</p> <p>APGA does not support, at this stage, these recommendations.</p>
12. Improve gas market transparency by expanding AEMO's reporting remit on the GBB, supported by timely and appropriate information sharing arrangements with other energy market bodies and ACCC, minimising duplicative information collection regimes	APGA supports in principle any streamlining/elimination of duplicative reporting, but is not clear to APGA what benefit this additional reporting and information will provide to the gas market and we do not support additional reporting at this time.
13. The AER could be the responsible regulator for administering Commonwealth gas market regulations (e.g. the Code).	<p>APGA agrees that the lack of a single lead agency for gas market reporting leads to duplication and potential inconsistencies. Gas market participants are often required to submit the same information, in a slightly different format, to three separate agencies, at slightly different times; this can require considerable manual effort and is resource-intensive, the costs of which are ultimately borne by gas users.</p> <p>Given the significant market information that must be provided to AEMO for its reporting including the GSOO and the ISP, holding the AER as the responsible regulator for administering the Code may not significantly reduce reporting burden and duplication.</p>
14. Consolidate market monitoring, analysis and reporting of gas markets through the AER, supported by timely and appropriate information sharing arrangements with other energy market bodies and ACCC that minimise duplicative information collection regimes. Consolidation of reporting	See above. While APGA in principle agrees with the concept of centralising and consolidating market monitoring, analysis and reporting of gas markets within a single body, in practice this may be difficult to operationalise.

<p>requirements through reduced administrative and reporting burden for gas producers could translate to lower prices over time.</p>	<p>APGA does agree that the duplication of reporting between the ACCC and the AER can and should be directly addressed.</p>
<p>15. Subject to an appropriate period of transition to allow for the implementation of AER reporting and AEMO transparency reforms, the Government could cease the ACCC Gas Inquiry in its current form. Any future inquiries by the ACCC into matters relating to gas could be limited to short term, focussed reviews into specific gas market competition matters.</p>	<p>Agree.</p>
<p>16. The Government could develop a transition plan outlining when and to what extent existing regulation would be amended or removed, when new regulation would be in place, and a pathway for market participants to meet the requirements of the domestic gas reservation scheme. a. A short extension of the HoA with east coast gas exporters could be negotiated pending implementation of the recommendations of this Review.</p>	<p>APGA notes that regulatory uncertainty is, understandably, a key contributor to a lack of appetite for entering into long term contracts. A transparent transition plan will be fundamental to providing that certainty and ensuring that contracts can be entered into as soon as they become desirable – not delayed in advance of regulatory stability.</p> <p>APGA defers to our upstream colleagues on whether an extension of the HoA is necessary.</p>
<p>17. When implementing the outcomes of this Review, the Government could provide an opportunity for market participants and other stakeholders to give feedback on provisions of the existing regulations which are retained but which would benefit from minor or technical legislative drafting improvements to support the policy intent.</p>	<p>Agree – see comments on Recommendation 5e.</p>
<p>18. To provide long term regulatory certainty for investment and contracting, the Minister for Energy and the Minister for Resources could work with the Attorney-General to explore the possibility of exempting the Code from the operation of the sunset provisions in the Legislation Act 2003.</p>	<p>Not oppose.</p>