24 September 2026

Submission: Domestic Gas Reservation Scheme Exposure Draft

The Australian Pipelines and Gas Association (APGA) represents the owners, operators, designers, constructors and service providers of Australia's pipeline infrastructure. Our members deliver more than 1,500 PJs of natural gas each year for domestic use and over 4,500 PJs for export markets, underpinned by the highest standards of safety, reliability and operational performance.

APGA welcomes the opportunity to comment on the draft legislative package for the Domestic Gas Reservation Scheme (DGRS). APGA considers that to deliver its policy intent of a slight oversupply to the domestic market such that that supply puts downwards pressure on gas prices for domestic gas users, **the DGRS legislative framework must provide a strong and clear framework that supports investment outcomes and enables the long-term contracts that underpin infrastructure investment across the gas supply chain**.

Policy must support infrastructure investment

As noted in our submission to the Design Draft, APGA remains confident that forecast gas supply deficits can be managed or averted if the Commonwealth supports market-led investment through effective policy settings. The present environment for this investment is mired in regulatory risk, foremost by the ability of the regulator to reassess the form of regulation applying to a pipeline, at any time (the "Form of Regulation Review" process).

APGA acknowledges recent announcements regarding investigations for nearly $10 billion in pipeline infrastructure to bring Beetaloo gas to customers in the Northern Territory and beyond. As greenfield projects, these investments will be able to access the Greenfield Incentive and Price Protection, and hence will likely be protected from the regulatory risk presented by the Form of Regulation Review process. Brownfield investments, including projects to increase capacity of existing pipelines to bring gas from Queensland into NSW, Victoria and South Australia, are not covered by this incentive. Even though these are critically necessary, the regulatory risk to these investments is considerably higher.

In light of these regulatory risks, the current drafting of the legislation does not provide sufficient scaffolding to further derisk long-term investments. The DGRS may instead incentivise short-term contracting behaviours that while supportive of commercial flexibility in an uncertain market, will act to undermine confidence in long-term commercial arrangements and disincentivise long-term infrastructure investments.

Demand calibration process will undermine long-term contracting

Explanatory documents describe a policy intent for DSOs to "be calibrated using a transparent five-year rolling mechanism." What is not clear from the legislation is that assuming the target aggregate supply is recalculated annually based on that forecast, whether this will functionally change the actual forecast annually – from context, it appears this is the likely effect of the legislation as drafted.

APGA opposes this feature of the calibration mechanism. As noted in our contribution to the design draft, greater certainty over the long-term shape and size of DSO contributions is essential to giving LNG exporters and domestic gas users the confidence to enter into long term contracts for use of gas infrastructure. Annual recalibrations with potentially significant variations in annual forecasts will not provide the certainty required to make long term investments in gas supplies or in gas infrastructure to transport that supply. Instead, shorter-term contracts – likely 5 years or fewer – will be incentivised, which is not sufficient certainty for the long-term investments needed.

This represents a clear risk to achieving the objective of the DGRS of supporting system resilience through providing a slight oversupply of gas to the domestic market.

DSO delivery flexibility arrangements

The draft legislation provides some volumetric flexibility in DSO supply, i.e. LNG exporters must deliver between 90-100% or over their DSO annually. The legislation does not however clearly provide for any delivery flexibility, including whether it must be delivered into its physically connected market via that physical connection (pipelines) or whether this can be met through regassification facilities connected to that market, swaps or other common gas transaction arrangements.

This contrasts sharply with the Design Draft, which emphasised that a flexible, technology-neutral approach to compliance using commercial, market-based arrangements, including own production, third-party sourcing, and portfolio optimisation. APGA supported this approach and it is perplexing that this is absent in the draft legislation.

The definition of 'export' may imply that this may be permitted under the definition of export but it is not clear, and it is also not clear how at-sea LNG swaps or LNG procured from international markets and imported to Australia would be treated (see DGRS Bill Section 11 (1)). In the specific case of LNG cargoes, it is unclear whether, for example, LNG transported from Queensland to NSW and regassified at Port Kembla is counted as DSO supply. The reference to purchase of gas in a domestic market may imply roadblocks to this approach. APGA also takes Section 12 (3) to mean a limitation on swap arrangements.

APGA supports a stronger focus on delivery flexibility alongside volumetric flexibility. Enabling multiple compliance pathways within the legislation allows for the market to determine the most efficient and cost-effective source of supply.

Further matters to address in regulations

Infrastructure constraint provision

APGA is broadly comfortable that the draft legislation provides sufficient expectations on LNG exporters to address infrastructure constraints preventing them from meeting their domestic supply obligations. APGA appreciates the detail of how this provision will operate likely to be addressed in regulation; we raise this here as it is important that there is alignment with the intent of the legislation when the regulations are developed.

For clarity, the regulations should specify what qualifies as an infrastructure constraint for the purposes of a DSO variation. The regulations should also specify that information on infrastructure constraints is to be provided in public documentation accompanying a variation request. APGA suggests that for the purposes of transparency, compliance plans may be a useful way to directly link DSO variations to resolving a constraint through identifying the specifics of the constraint, expected timelines (presuming this accords with the length of the DSO variation), and the actions the LNG exporter proposes address it.

Drafting of regulations and guidelines

Much of the detail on the operation of the scheme has been left unstated in the legislation, presumably to be detailed in regulations and guidelines. While this enables rapidly enacting amendments where necessary, that flexibility introduces instability and in turn risk.

The process of developing these regulations or guidelines is also not defined. There are complicated aspects of the scheme to work through, specifically around how the AER can perform its functions (Section 66) and how the AER will design the calibration mechanism (Section 24 (9)(ii)). The latter is very specifically a policy question for which policymakers, not regulators, should take lead.

Yours sincerely,

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