



29 October 2026

Submission: Senate Economics Legislation Committee Inquiry into Domestic Gas Reservation Bill 2026 and related bills

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 provide brief comments on the Senate Economics Legislation Committee Inquiry into *Domestic Gas Reservation Bill 2026* and related bills.

The success of the Domestic Gas Reservation Scheme is dependent on the ability to deliver reserved gas to the domestic market. APGA is confident that forecast gas supply deficits can be managed or averted if the Commonwealth enables market-led investment – in other words, the gas infrastructure industry will respond to ensure that gas gets to where it is needed, if and when policy settings are supportive of that investment.

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). Targeted reforms are required to ensure there is a healthy investment environment for the necessary gas infrastructure to get reserved gas to market.

Scheme must be accompanied by lifting regulatory barriers to investment

Form of Regulation powers have a chilling effect on investment

Since 2017, all gas pipelines that provide some form of third-party access have been subject to some form of economic regulation, which guides access arrangements to those pipelines. "Scheme" regulation provides a heavier form of regulation (primarily using Parts 8 and 9 of the National Gas Rules (NGR)) and "non-scheme" regulation provides a lighter form of regulation (primarily using Parts 10 to 12 of the NGR). Both forms of regulation are subject to varying degrees of information disclosure as well as dispute resolution provisions.

Non-scheme pipelines must generally disclose certain financial and non-financial information related to the available pipeline services as per scheme pipelines, but are not

subject to ex-ante tariff determinations by the Australian Energy Regulator (AER). All new pipelines are non-scheme by default.

In 2023, reforms to the National Gas Law allowed the AER to self-initiate a “Form of Regulation Review” and can use the process to make a determination that a non-scheme pipeline is a scheme pipeline – without an evidentiary threshold for initiation of the process, or external oversight. The Form of Regulation Review power effectively gives the AER the ability to impose price controls on a pipeline if it thinks that market power is being exercised inappropriately, with this decision being binding.

The effect is that Australia now presents a higher sovereign risk premium than comparable jurisdictions. Investors can no longer rely on predictable rules around the scope of economic regulation or government oversight to form a clear view of expected long-term returns. This undermines confidence in committing capital to projects critical for supply security and the energy transition.

The market will respond with appropriate incentives

APGA members AGIG, APA and Jemena in September announced intentions for nearly \$10 billion in pipeline infrastructure to bring Beetaloo gas to customers in the Northern Territory and the east coast. APA also announced on 22 October it had reached FID on the Bulloo Interlink Pipeline, a key part of its broader East Coast Gas Grid Expansion Project.

Greenfield projects will be able to access the Greenfield Incentive and Price Protection¹, 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.

The amount of power granted to the AER through the Form of Regulation Review process remains highly concerning to investors and signals to the market that regulatory intervention is to be expected. There is no opportunity for recourse, either through the regulator or through the Minister.

Given the Domestic Gas Reservation Scheme introduces new oversight through ministerial decision making, APGA considers it essential that this perspective alongside checks and balances is also brought to the Form of Regulation Review framework.

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

¹ In December 2025, the AER elected to grant the Bulloo Interlink Pipeline the Greenfield Incentive for just 10 years, rather than the full 15 years permitted under the National Gas Law.
<https://www.aer.gov.au/industry/registers/resources/reviews/bulloo-interlink-pipeline-greenfields-incentive-determination>

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

The Domestic Supply Obligations will be determined and “calibrated using a transparent five-year rolling mechanism.” While it is not completely clear from the legislation if that means that the target aggregate supply is recalculated annually based on that forecast, and hence whether this will functionally change the actual forecast annually – from context, it appears this is the likely effect of the legislation as drafted. There is a described policy intent for the DSOs to be able to be attenuated on an annual basis depending on market conditions divined in the rolling forecast.

APGA strongly cautions against this feature of the calibration mechanism because it will deliver greater uncertainty over the long-term shape and size of DSO contributions. That certainty 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 new gas supplies or in gas infrastructure to transport that supply. Instead, shorter-term contracts – likely well under five years – 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.

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