© IEEJ November 2026

18 November 2026

Australia's Domestic Gas Reservation Scheme #Issue 6 The Senate Economics Legislation Committee Report of 11 November Following Hearings on the Bill

Hiroshi Hashimoto, Takafumi Yanagisawa, and Yoshimasa Mori
Energy Security Unit
The Institute of Energy Economics, Japan

Introduction

Australia's Senate Economics Legislation Committee released a report on 11 November 2026 following hearings on 23 and 30 November on the Domestic Gas Reservation Bill 2026, the Domestic Gas Reservation Levy Bill 2026, and the Domestic Gas Reservation (Consequential Amendments) Bill 2026, with a recommendation that the Senate pass the legislation accompanied with no proposed revisions[1]. The report provides an indication of how the political debate has evolved since the exposure draft stage and offers insight into which arguments have gained traction and which have not.

The Committee's recommendation significantly increases the likelihood that the legislation will be passed by both Houses of Parliament before the end of the 2026 parliamentary session, potentially as early as late November. As a result, attention is increasingly shifting from the passage of the legislation itself to the implementation phase. In particular, the development of the Gas Market Code, AER methodologies, demand calibration processes, additionality requirements and other subordinate regulatory instruments expected during 2027 is likely to become the principal focus of industry participants, investors and LNG buyers.

These implementation measures may ultimately prove more influential than the legislation itself in determining the practical impact of the scheme on domestic gas supply, investment incentives and Australia's position as a reliable LNG supplier to the Asia-Pacific region.

1. Overall Outcome

The Committee's majority report (Labor[2] Senators) explicitly recommends passage of the **bills.**

[1] https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/DomesticGasRes2026/Report
[2] Australian Labor Party (Labor): Australia's centre-left governing party, traditionally aligned with trade unions and generally supportive of a stronger role for government in areas such as industrial policy, energy security and consumer protection.

However, the report also contains the followings (more details are contained in the Chapter 9 of this paper):

- **Additional Comments from Coalition[3] Senators** opposing the legislation in its current form;
- **A Dissenting Report from the Australian Greens[4]**, who support domestic reservation but argue that a gas export tax would be a superior policy instrument; and
- **Additional Comments from an independent Senator**, demanding a stricter scheme design, transparency, and consumer protection.

In the DGRS debate, Labor has generally supported the proposed framework, the Coalition has raised concerns regarding investment and future supply impacts, while the Greens have argued that stronger intervention, including consideration of a gas export tax, may be warranted.

In practical terms, the political debate has now moved beyond whether Australia should have a domestic gas reservation scheme and focuses increasingly on how the scheme should operate.

2. The Committee's Core Position

The Committee largely accepts the Government's central policy argument:

- Australia exports very large quantities of gas;
- domestic manufacturers continue to struggle to secure affordable long-term gas supply;
- reliable and affordable domestic gas is important for energy security, manufacturing competitiveness and sovereign capability.

3. Long-Term Contracts as a Central Policy Objective

One notable feature of the report is its emphasis on long-term contracting. Evidence from the Australian Chamber of Commerce and Industry (ACCI) and the Energy Users Association of Australia (EUAA) highlighted the difficulty domestic manufacturers face in obtaining long-term gas contracts.

[3] Liberal–National Coalition (Coalition): Australia's principal centre-right opposition grouping, comprising the Liberal Party of Australia and the National Party of Australia. It generally favours market-based approaches, regulatory restraint and policies aimed at encouraging private investment.

[4] Australian Greens (Greens): Australia's environmentally focused progressive party, advocating stronger climate action, a faster energy transition and expanded government intervention to address environmental and social policy objectives.

The committee considers that the proposed DGRS would provide regulatory certainty for gas producers and energy consumers which enable them to enter long-term contracts, rather than simply increasing short-term gas availability.

4. "Must Sell" and "Modest Oversupply" Were Strongly Endorsed

One of the most important policy conclusions of the Committee concerns two issues heavily criticised by the LNG industry:

- the "must sell" requirement; and
- the 110% demand calibration ("modest oversupply") concept.

Several LNG producer companies and an industry association insist on altering "must sell" to "must offer". A labour union representative notes "it would oppose any 'watering down' of the DGRS bill's proposed 'must sell' provisions" and "the 'modest oversupply' requirements are 'very important'".

The Committee explicitly concludes that both are fundamental to the effectiveness of the scheme.

It states that these mechanisms are necessary to:

- lower domestic gas prices;
- support manufacturing investment;
- improve gas availability;
- reduce exposure to international LNG price volatility.

5. The 110% Calibration Debate

The Committee heard extensive criticism from industry regarding the requirement to calibrate aggregate supply to approximately 110% of forecast demand. Several LNG producer companies argued that the 10% oversupply margin was excessive and could suppress investment. Conversely, industry associations representing manufacturing companies supported the 110% concept. The Committee ultimately sided with the latter group and endorsed the existing design.

6. The interaction between the national scheme and the Western Australian Domestic Gas Reservation Policy

Several LNG producer companies and the Western Australian government all called, to varying degrees, for Western Australia to be exempt from the Commonwealth scheme.

The Commonwealth Government's response was that a complete exclusion of WA would be difficult because the scheme must operate consistently on a national basis.

7. Existing Contracts

The inquiry heard concerns from several submissions regarding the treatment of existing contractual commitments. Notably, one company noted, "If extensions that were contemplated from the outset are subsequently treated as "new" contracts for regulatory purposes, investors and buyers may reasonably conclude the commercial framework underpinning their original commitment has been altered after the fact."

The Committee noted these concerns but did not recommend changes.

8. Northern Territory and Infrastructure Issues

The report also identifies concerns raised by the Northern Territory Government, a company and an industry association. A recurring theme was that infrastructure limitations remain a critical constraint on domestic gas supply.

9. Alternative Views Presented in the Committee Report

While the Committee majority ultimately recommended that the Senate pass the legislation without amendment, the report also contained three alternative perspectives, reflecting continuing disagreements regarding the most appropriate design of Australia's domestic gas reservation regime.

9.1 Coalition Senators: Concerned About Investment and Supply Consequences

The Additional Comments from Coalition Senators argued that the proposed scheme risks reducing rather than increasing domestic gas supply over the longer term. They contended that Australia's gas market challenges are primarily driven by insufficient new supply and delays in project development, rather than by excessive exports. In their view, policies that discourage upstream investment may ultimately worsen the supply situation that the legislation seeks to address.

The Coalition Senators expressed particular concern regarding the mandatory domestic supply obligation, the requirement for deliberate market oversupply, and the broad regulatory intervention embodied in the scheme. They argued that these measures could diminish investment confidence and increase sovereign risk, particularly for projects requiring multi-billion-dollar, long-term commitments.

While acknowledging the importance of affordable domestic gas supply, the Coalition's preferred approach would place greater emphasis on increasing production, reducing regulatory barriers and facilitating new gas developments rather than imposing additional obligations on LNG exporters.

9.2 The Australian Greens: Support for Reservation but Preference for a Gas Export Tax

The Australian Greens took a markedly different position. Their dissenting report broadly supported the objective of reserving gas for domestic consumers but argued that the proposed scheme does not go far enough to address what they view as excessive export-driven profits and high domestic gas prices.

The Greens questioned whether the administrative complexity of the DGRS would be the most effective means of delivering lower domestic gas prices. Instead, they argued that a gas export levy or export tax could achieve similar outcomes more directly while also generating public revenue. Such revenue, in their view, could be used to support households affected by high energy prices and assist Australia's broader energy transition.

More broadly, the Greens framed the issue within a wider climate and energy transition context. They argued that Australia should move progressively away from dependence on gas production and exports and place greater emphasis on renewable energy and emissions reduction policies.

9.3 An Independent Senator: Supporting the Scheme but Seeking Stronger Measures

The Additional Comments from an independent Senator also supported the broad objectives of the legislation but argued that the framework could be strengthened further. Rather than challenging the existence of the DGRS itself, the focus was on whether the legislation would be sufficiently effective in delivering additional gas to domestic consumers and improving market transparency.

The independent Senator expressed concern that important elements of the scheme remain dependent upon future decisions by regulators and ministers, including demand-calibration methodologies, implementation rules and market monitoring arrangements. Greater transparency, stronger accountability mechanisms and clearer implementation pathways were therefore advocated.

The comments also reflected a broader concern regarding domestic gas affordability and the availability of long-term contracts for Australian consumers. In this sense, the independent Senator's position differed from that of both the Coalition and the Greens. Unlike the Coalition, the Senator did not oppose the reservation concept itself. Unlike the Greens, the Senator did not advocate replacing the scheme with an export tax. Instead, the emphasis was on ensuring that the legislation ultimately delivers practical benefits for domestic consumers while maintaining confidence in the regulatory framework.

9.4 Overall Significance

Taken together, these alternative views illustrate that disagreement within Australian politics is no longer centred on whether domestic gas security is an important policy objective. Rather, the debate now focuses on the most appropriate means of achieving that objective and the balance that should be struck between domestic gas affordability, future investment, LNG exports and energy transition goals. Despite these differences, the Committee majority concluded that the legislation in its current form strikes an appropriate balance and recommended its passage without amendment.

10. Overall Assessment of the Report

The Committee's report makes clear that Parliament increasingly views "must sell" and "modest oversupply" as the core policy mechanisms of the DGRS. At the same time, the report acknowledges a range of concerns regarding investment, infrastructure, existing contracts and Western Australian arrangements.

As a result, the debate is no longer primarily about whether Australia should have a Domestic Gas Reservation Scheme. Instead, the debate is increasingly about how the scheme will be administered in practice, how the Australian Energy Regulator (AER) will exercise its new powers, and whether the framework can successfully balance domestic affordability with the investment required to sustain future gas supply and LNG exports.

[Appendix]

Key Takeaways from the Senate Economics Legislation Committee Hearings[5] Domestic Gas Reservation Scheme (DGRS) - Perspectives Relevant to LNG Exports, Japan and International Investors

The Senate Economics Legislation Committee hearings held on 23 and 30 October 2026 provide valuable insight into how the DGRS is now being debated politically and commercially. Several themes emerged repeatedly, particularly those relating to Australia's reputation as a reliable LNG supplier, the role of Japanese buyers and investors, the treatment of Western Australia, and the interaction between domestic supply, investment and future LNG exports.

1. Japan and Asian LNG Buyers Were Explicitly Raised During the Hearings

Perhaps the most important testimony from a Japanese and LNG buyer perspective came from the Asia Natural Gas and Energy Association (ANGEA).

[5] https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/DomesticGasRes2026/Public_Hearings

ANGEA emphasised that Japan receives approximately 40% of its LNG imports from Australia.

ANGEA also noted that Asian buyers signed the foundation contracts that made Australian LNG projects bankable and invested directly in those projects.

ANGEA warned that if Australia becomes an unreliable supplier, Asian buyers will increasingly turn to alternative suppliers such as the United States, Canada and Qatar.

The hearings therefore confirm that Australia's major Asian trading partners are now part of the discussion and that LNG export reliability has become an issue of broader economic diplomacy.

2. Western Australia Remains the Strongest Political Fault Line

The treatment of Western Australia was one of the most prominent issues raised during both hearings.

The Chamber of Minerals and Energy of Western Australia argued that:

- WA's Domestic Gas Policy has worked successfully for approximately twenty years;
- domestic prices in WA have remained lower and more stable;
- WA should receive a clear exemption from the Commonwealth scheme,

proposing specific legislative amendments to:

- establish a clear exemption test;
- provide long-term certainty;
- ensure future projects are protected;
- prevent overlapping obligations.

The Government reiterated that the scheme must remain national in scope due to constitutional considerations.

However, officials confirmed:

- WA reservation arrangements will be taken into account;
- DSO percentages in WA may be reduced to zero;
- consultations with the WA Government and regulators will occur before any decision is made.

This reinforces the conclusion that:

WA is unlikely to receive a formal legislative carve-out, but significant practical accommodation remains likely.

3. "Must Sell" Remains the Core Political Commitment

Manufacturing industry associations and unions defended the must-sell design. The common argument was: "Australia has already spent around ten years relying on 'must offer' style arrangements and they have not delivered adequate outcomes for domestic consumers."

LNG producer companies and their industry organisation argued for a more availability-based approach.

4. The 110% "Modest Oversupply" Requirement Continues to Divide Stakeholders

Industry representatives repeatedly argued that:

- 10% oversupply is not modest;
- structural oversupply could discourage investment;
- domestic-only producers may be crowded out.

Manufacturing industry associations argued that modest oversupply is necessary to:

- promote competition;
- improve contract availability;
- place downward pressure on prices.

5. Additionality and AER Methodologies Have Emerged as Critical Future Battlegrounds

A recurring theme throughout the hearings was that many of the most important policy choices have effectively been deferred to future implementation processes.

Examples include:

- additional gas methodologies;
- AER calibration methods;
- baseline determinations;
- domestic competitiveness assessments;
- flexibility mechanisms.

Officials repeatedly confirmed that many implementation details will be developed through future guidelines and consultation processes.

The policy debate is now shifting away from: "Should the DGRS exist?" and towards: "How will the DGRS actually be administered?"

6. The Government Continues to Argue That the DGRS Supports Investment Rather Than Reduces It

A notable aspect of the Government's evidence was its repeated assertion that the scheme should encourage future investment through:

- additionality provisions;
- increased market transparency;
- longer-term contracting opportunities.

Officials argued that:

- new gas development,
- pipeline investment,
- and domestic gas contracting

will continue under the framework.

However, numerous producers strongly disagreed with this assessment and argued that future investment incentives may weaken.

Overall Assessment

The hearings highlighted three observations that are particularly relevant from a Japanese perspective:

1. Japanese concerns are clearly being heard

Japanese LNG buyers and investors were explicitly referenced during the proceedings, and Australia's reputation as a trusted LNG supplier emerged as a recurring theme.

2. WA is likely to receive practical accommodation, but not a formal exemption

The Commonwealth Government continues to resist a formal carve-out while acknowledging that WA-specific circumstances will be reflected in implementation decisions.

3. The real policy battle is moving to implementation

As many key design questions have been delegated to:

- the Australian Energy Regulator (AER);
- future methodologies;
- future guidelines; and
- future Gas Market Code provisions,

the most important phase of the debate may now be the implementation process rather than the legislation itself.

In short, the hearings suggest that the DGRS is likely to proceed substantially intact, while future disputes are increasingly likely to focus on regulatory methodologies,

infrastructure constraints, additionality rules and practical administration rather than the broad policy principle of domestic gas reservation itself.

Contact: report@tky.ieej.or.jp