

Dashboard Impact Analysis (IA) – Gas Market Review – Domestic Gas Reservation Scheme

Department of Industry, Science and Resources

The proposed policy approach and policy problem being addressed

Proposed approach

In 2025, the Australian Government reviewed key gas market regulatory frameworks and policy settings including the Australian Domestic Gas Security Mechanism (ADGSM), Gas Market Code (the Code) and the Heads of Agreement with east coast LNG exporters (the HoA). The Gas Market Review Report (the Review Report) was released on 22 December 2025.

The Review Report found that the existing mechanisms were primarily designed to respond to short-term supply and price pressures and were not sufficient to provide enduring domestic supply security and investment certainty. As a result, the Review Report recommended fundamental reform of domestic gas policy settings including the establishment of a Domestic Gas Reservation Scheme (DGRS) and supporting market reforms. The government accepted all recommendations of the Review Report and announced its intention to implement a DGRS.

This Impact Analysis dashboard provides supplementary analysis to the Review Report to reflect the final policy decisions taken by Government since 22 December 2025.

Through the Review Report, government considered three reform options:

1. Status quo: retain existing policy settings.
2. Incremental reform: make targeted improvements to existing policy settings.
3. Fundamental reform: replace existing settings with a national DGRS and complementary market reforms.

On 7 May 2026 the Australian Government announced its intention to introduce new legislation to establish a DGRS. The DGRS is designed to provide national long-term supply and energy security, put downward pressure on domestic prices and support investment without impacting existing long-term contracts. It requires liquefied natural gas (LNG) exporters to supply the domestic market with a volume of gas up to the equivalent of 20 per cent of their LNG exports, referred to as the domestic supply obligation (DSO).

The development of the DGRS has been informed by extensive consultation, including opportunities to make formal public submissions. Consultation to inform the Gas Market Review commenced in June 2025. Consultation to inform detailed design of the DGRS has continued

throughout 2026 and has included two formal public consultation processes commencing in February and May 2026. The government released an exposure draft of the legislative reform package, between 10 - 24 September 2026, and incorporated feedback to inform the final policy and legislative settings.

In addition to the DGRS, the government will progress a broader package of reforms arising from the Gas Market Review. These reforms are aimed at addressing structural market inefficiencies, improving transparency and market information, strengthening governance and compliance arrangements, and supporting the efficient functioning of domestic gas markets.

Policy problem

Australia's gas markets face prospective supply shortfalls, continued exposure to international price volatility and fragmented domestic supply arrangements. The Australian Energy Market Operator forecasts emerging supply risks from 2030, although the timing and nature of these risks differ between the east and west coast markets.

Existing Commonwealth measures—the Australian Domestic Gas Security Mechanism, Gas Market Code and Heads of Agreement with east coast LNG exporters—have helped address short-term supply and price pressures. However, they do not provide an enduring, nationally consistent mechanism to secure sufficient domestic supply over the medium to long term. The measures operate differently, apply to different market participants and rely substantially on reactive interventions or negotiated commitments.

Without reform, domestic users would remain exposed to prospective supply shortfalls and international price volatility. This could increase energy costs and uncertainty for households, electricity generators and gas-using businesses, while weakening investment certainty and the competitiveness of gas-intensive industries.

Government intervention is intended to establish a durable framework that secures sufficient gas for Australian users while recognising existing state arrangements, preserving existing long-term contracts and limiting adverse effects on investment and export markets.

Impacts and methodology

To support an assessment of policy options, a multi-criteria analysis approach was used to evaluate the net impact of each option on achieving the policy objectives. Each policy option was assessed against four indicators: supply, price, investment and trade, and competition. Fundamental reform was recommended as it addresses structural shortfalls, market power dynamics, and provides adequate assurance and long-term regulatory certainty.

The Review Report assessed the status quo, incremental reform and fundamental reform. It found that incremental reform could provide limited improvements but would not adequately address structural supply risks or the shortcomings of existing regulatory settings. The table below therefore compares the preferred, fundamental reform option, with the status quo (Regulator Cost

Assumptions provided in the Review Report refers). Further analysis of all three options is provided in the Review Report and this dashboard.

Option	Benefits	Other* costs	Net impact	Regulatory burden
Fundamental Reform / Domestic Gas Reservation:	Is expected to improve supply security and put downward pressure on domestic gas prices. Lower domestic gas prices would benefit end users of gas, including households and businesses. Industrial gas users (manufacturers) benefit from lower gas prices, which has flow on benefits for Australia's resilience to supply chain disruptions and labour market.	Costs will be borne by the gas industry. Costs are highly sensitive to market conditions (especially the international LNG price) and how market participants respond to the policy. Some higher-cost gas production may become uneconomic due to downward pressure on gas prices, which could reduce production and investment in the gas sector, relative to the status quo. LNG exports may be lower than under the status quo.	The net impact is a transfer of value from gas producers to domestic users of gas through downward pressure on domestic gas prices.	\$134 million over 10 years
Status Quo:	Retaining current policy settings would provide greater certainty to market participants in the short term.	Retaining current policy settings would not deliver Australia's energy security and would not provide sufficient long-term certainty for investment and supply to gas market participants.	The net impact of retaining current policy settings would leave domestic users exposed to prospective supply shortfalls and international price volatility.	\$59 million over 10 years

*Other costs cover non-regulatory burden costs

The extent of the DGRS's impacts will depend on future market conditions, including international LNG prices. By placing downward pressure on domestic gas prices and calibrating reserved volumes to domestic demand, the scheme is expected to support more reliable supply while limiting impacts on investment in the gas sector.

Some higher-cost gas production may become uneconomic over time, reducing total gas production relative to what would otherwise occur. LNG exports may also decline relative to the status quo. Domestic gas availability is expected to increase.

By improving supply certainty and placing downward pressure on domestic gas prices, the DGRS is expected to benefit a broad range of gas users. Lower energy costs may improve the

competitiveness of gas-intensive industries, support investment by gas users, enable innovation and productivity improvements, and enable businesses to expand output where market conditions permit. These benefits are likely to be greatest in sectors that use gas intensively as an energy source or feedstock, including metals manufacturing, chemical and fertiliser production, electricity generation, and mining.

Stakeholders consulted as part of the Gas Market Review identified high and volatile gas prices as a significant constraint on investment, production and employment in gas-using sectors.

Lower domestic gas prices could also support Australia's net zero transition by improving the economics of emerging industries such as green iron from gas-based direct reduced iron (DRI). DRI can reduce emissions by around 69 per cent compared with traditional blast furnace production, and be used as a transition fuel on the pathway to net zero. Low gas prices can also free capital for investment in low emissions technologies.

The closure of east coast urea and methanol production highlights the risks of uncompetitive gas prices. More affordable gas could support the return of these industries and the retention of existing industrial capability, which are important contributions to rebuilding domestic manufacturing capacity, strengthening supply chains and reducing import dependence.

Summary of economic and social impacts

Status quo	Proposed option
Assessment of existing economic impacts on: People - Continued upwards pressure on wholesale gas prices that are passed through to consumers by retailers. May incentivise electrification for those who can afford it, while adding to cost-of-living pressures and the financial barriers to electrification for those who can't. Businesses - LNG exporters – risk of further regulatory intervention through ADGSM and continued uncertainty. - Gas users continue to be exposed to high and volatile international gas prices, decreased manufacturing output affecting commercial viability and employment. Stakeholder views: Stakeholders have reported that the current instruments (Code, HoA, ADGSM) have provided short-term stability but have not resolved the structural supply issues in Australia's gas markets. The current instruments are having unintended effects on contracting and investment. Gas market policy should transition away from the	Economic and social impacts on: People - A DGRS would deliver flow-on benefits to domestic consumers through downward pressure on wholesale gas prices, this may benefit households who use natural gas to cook and heat their homes. Households may also benefit indirectly, where cost savings are passed on by businesses that use gas as an input, such as manufacturers or gas-powered electricity generators. Businesses - Gas using industries will benefit from a strengthened bargaining position to secure long-term contracts at favourable terms. The DSO will place downward pressure on domestic gas prices and improve resilience to international price volatility, supporting current and future business viability. - The gas industry is likely to be less profitable than under an unrestricted export scenario, as LNG exporters may redirect gas from export markets to domestic sales. Producers may also receive lower revenues from domestic supply as the DGRS places downward pressure on domestic gas prices. Others - Some international stakeholders may perceive the scheme as increasing regulatory uncertainty, particularly

Status quo	Proposed option
existing price cap/exemption model and ADGSM to a new framework that can support longer term clarity.	during transition to a new regulatory regime. The government is planning to issue guidance to mitigate these concerns, and these reforms are expected to provide greater certainty in the long term. The policy may support the use of gas as a transition fuel, for example DRI production of green steel. Stakeholder views: Stakeholders broadly supported the policy objective but raised concerns about unintended consequences and whether the proposed settings would achieve the objectives in practice.

Regulatory burden

Status quo	Proposed option
Assessment of any existing compliance and/or delay costs facing: People - Nil Businesses – Continued costs for east coast LNG exporters to comply with the ADGSM and HoA, and domestic gas producers for pricing and supply elements of the Gas Market Code. This includes west coast LNG exporters for the ADGSM. Others – Nil Stakeholder views: Compliance costs have increased in recent years since the implementation of the Australian Government’s gas market reforms in 2022. Additional reporting requirements have duplicated, expanded and overlapped with existing regulatory compliance.	Change in the regulatory burden for: People – Nil Businesses – Costs for all Australian LNG exporters to comply with DGRS rules and requirements. Minimal costs may also apply to domestic gas producers under the policy. Others – Nil Stakeholder views: Concern that the DGRS would increase compliance and reporting burden, particularly if obligations overlap with existing frameworks (for example, Western Australia) while noting any reduction in complexity will depend on effective streamlining and clear design.

Other considerations and implementation

Incremental reform was an option considered where the existing instruments (ADGSM, HoA and the Code) would be maintained but updated to improve their effectiveness. It was concluded that incremental reform could provide a marginal benefit but would not sufficiently address the structural shortfalls and shortcomings of current gas market regulatory settings. Non-regulatory policy options, such as continuing the HoA or negotiating contracts with individual exporters to supply the domestic market were considered but found to be inequitable and not fit for purpose for long-term security of domestic gas supply.

What success looks like

Over the medium to long term, success will be reflected by achieving domestic gas supply sufficiency, sustained downward pressure on domestic gas prices relative to international

benchmarks, and reduced exposure of domestic gas markets to global price volatility. These outcomes are also expected to improve economic outcomes for Australia by supporting increased investment and competitiveness among gas-using businesses, while contributing to lower consumer costs and increased demand, production and employment across the economy.

Indicators of a successful reform could include whether domestic gas supply is sufficient to meet demand, change in domestic gas prices and their volatility, the number and volume of long-term gas supply contracts with domestic business and household users, and business perceptions of gas availability, affordability and security of supply. While broader economic benefits are anticipated, they are likely to be difficult to measure and attribute to the reform.

A key variable is that investment in Australian gas production and supporting infrastructure remains sufficient to meet future domestic demand. This could be monitored through trends in investment levels over time, using current investment as the baseline and assessing whether investment is keeping pace with projected demand.

Implementation approach

Legislation enacting the DGRS is intended to commence on 1 January 2027, with the DSO taking effect from 1 January 2028. Decision-making will be led by the Minister for Resources with agreement from the Minister for Climate Change and Energy and in consultation with the Minister for Industry and Innovation. The Australian Energy Regulator (AER) will be the regulator of the scheme, monitor compliance, undertake enforcement and advise the Minister for Resources on relevant statutory decisions. The DGRS will apply nationally, with consultation with state and territory governments to ensure the policy objectives of the DGRS will be achieved while respecting regulatory frameworks already in place to ensure domestic gas supply.

The DGRS will be implemented through new primary legislation, a Levy Bill, subordinate legislation (enabled by the new Act) and amendments to the Gas Market Code (enabled by Part IVBB of the *Competition and Consumer Act 2010* and the new primary legislation). The AER will administer and enforce the scheme under the new legislation and the amended Gas Market Code.

Planned evaluation

An internal evaluation plan will be developed to monitor and evaluate the scheme and market indicators. The evaluation plan will outline evaluation arrangements, data collection, reporting and evaluation activities, including their timing.

Statement of Sufficiency

I confirm that this Dashboard Impact Analysis (IA) prepared for **the Gas Market Review – Domestic Gas Reservation** meets the requirements set out in the *Australian Government Impact Analysis Framework*.

I confirm that the level of analysis is proportionate to the policy issue being considered.

I note the Dashboard IA provides analysis of the impacts of the proposal using the 7 IA questions and:

- a high-level summary of costs and benefits and an estimate in the change in the regulatory burden, of the policy options under consideration
- high-level analysis of the policy option against the government's key strategic priorities
- a summary of relevant distributional effects and evidence of key stakeholder feedback incorporated into the policy design, and
- other details required to understand and assess the proposal.



Endorsed by

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