



Fact Sheet

Eastern Australia's gas market needs fixing



LNG exports have triggered a tripling in gas prices and a decline in east coast gas demand



Redirecting LNG exports towards domestic use could alleviate forecast shortages



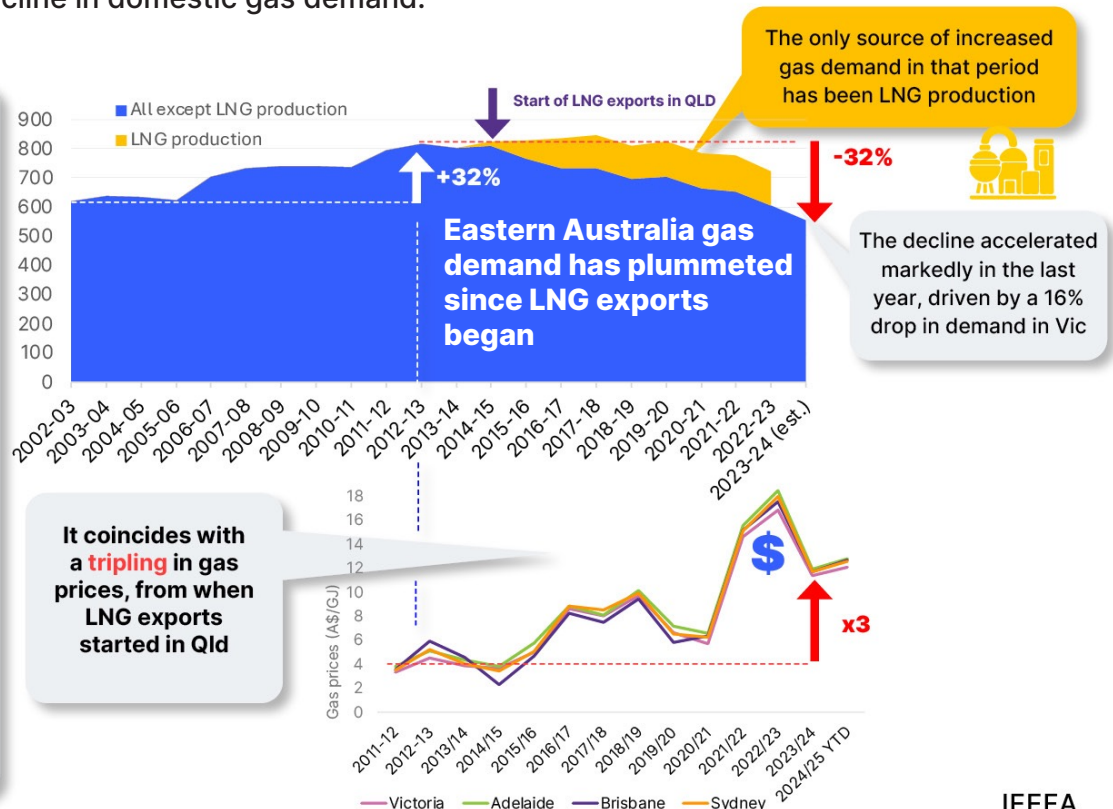
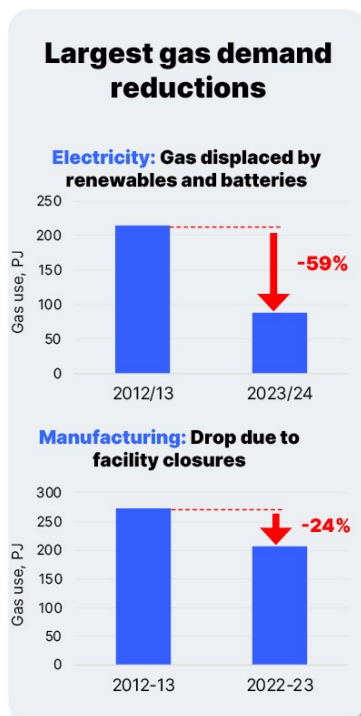
New gas market mechanisms could ensure gas supply while reducing prices



These interventions would not damage energy security in Asia

Eastern Australia's gas market faces a range of issues

Despite producing about four times more gas than it consumes, eastern Australia is facing shortages as production from Victoria's domestic-focused gas fields declines. Since the start of liquified natural gas (LNG) exports in Queensland a decade ago, the region has also seen a tripling in gas prices (through a lack of competition and as domestic prices have become linked to international markets), which has contributed to a material decline in domestic gas demand.



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LNG exports prompt
fall in eastern
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Redirecting gas from exports could alleviate shortages

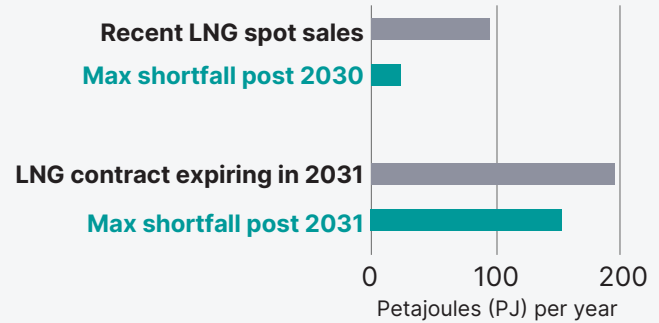
More than enough LNG exports could be redirected to the domestic market

- ▶ LNG spot sales (discretionary sales into the spot market beyond contracted volumes) from Queensland averaged 94PJ/year between 2021 and 2024, significantly more than the forecast shortage to 2030.
- ▶ The expiry of long-term contracts from 2031 provides the opportunity to address larger long-term shortages.

Redirecting exports is likely to be faster and more cost-effective than other solutions

Focusing on new gas developments presents multiple downsides, with often longer timelines and higher prices, alongside a higher contribution to climate change.

LNG exports that could be redirected, compared with forecast shortfalls



Source: AEMO, 2025 Gas Statement of Opportunities (Step Change scenario); IEEFA; ACCC

New gas market mechanisms are needed

Export licences for long-term contracts

- ▶ No impact on existing contracts
- ▶ Licences for new contracts dependent on market outlook and exporter conduct

For spot LNG exports

Export tax

- ▶ Decouples domestic and international prices
- ▶ Incentivises domestic supply

Export cap, only applied when required, such as:

- ▶ Forecast shortfall
- ▶ Unusual price hikes
- ▶ Exporter conduct creates domestic risk

These interventions would not damage energy security in Asia

The world is facing an imminent LNG supply glut

- ▶ An unprecedented 11,000PJ of new LNG capacity is set to come online by 2030.
- ▶ LNG demand in established markets is falling, and demand from price-sensitive emerging markets is uncertain.
- ▶ The International Energy Agency expects significant oversupply before 2030, lasting until 2040 even under a slow-transition scenario.

Japan can reduce its LNG imports from Australia without affecting its energy security

- ▶ IEEFA estimates that Japanese companies onsold 600-800PJ of Australian LNG to other Asian markets in 2024, which is more than eastern Australia's domestic gas consumption.
- ▶ Japanese companies resell about half as much Australian LNG to third countries as Japan imports for its own consumption.

About IEEFA

The Institute for Energy Economics and Financial Analysis (IEEFA) examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy.

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