

Fact Sheet

A domestic gas reservation policy that works

In eastern Australia, gas prices have tripled since the start of LNG exports 11 years ago, leading to a large drop in domestic gas demand and significant losses of manufacturing jobs. In addition, both eastern and Western Australia face gas shortages in coming years, while 80% of Australia's gas is being used for exports. As a result, the Australian government is now designing a domestic reservation scheme that will apply from 2027. How this scheme is designed will be key to its effectiveness, with IEEFA identifying three critical design elements.

To be effective, a domestic gas reservation should...



Apply nationally

In WA, the new scheme could complement the existing reservation policy by specifying when gas is provided, alleviating upcoming shortfalls.



Require approval for exports

There should be export permits for LNG spot exports, new contracts and contract extensions, based on criteria encouraging good behaviour.

A 'release valve' should be included to ensure the domestic market doesn't become oversupplied.



Deliver additional, low-cost gas quickly

Allowing LNG exporters to use domestic gas for their exports or domestic requirements could result in no or limited additive gas supply.

There is also a risk exporters could develop high-cost gas fields for Australian users, pushing domestic prices up, while lower-cost gas is exported.

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THE
REPORTS



Gas reservation
policy design
critical as conflict
hits global supplies



Browse gas:
Expensive,
emissions-intensive,
unnecessary

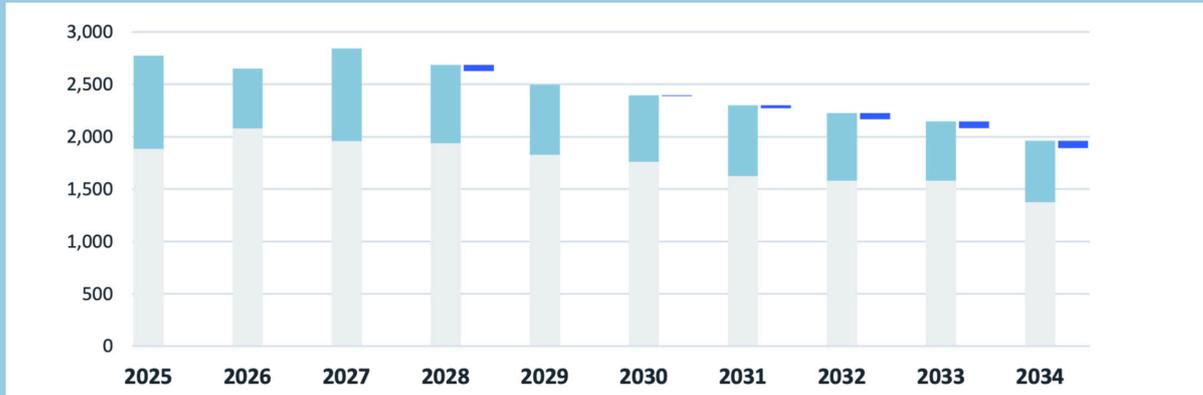


The hidden
costs of the
LNG boom

A reservation scheme should apply nationally

Under WA's reservation policy, LNG exporters are required to supply 15% of reserves domestically but have complete flexibility over when they supply that gas. As a result, WA LNG exporters had supplied only 8% of gas production domestically by 2023. The new federal reservation could work alongside WA's existing policy to ensure gas is supplied when it is needed. IEEFA found that diverting just 4% of expected LNG feedgas in WA would be enough to address shortfalls to 2034, meaning shortfalls could be resolved within the existing 15% requirement.

Comparison of domestic shortages (WA) with expected volumes of uncontracted gas, PJ



Source: IEEFA. Browse gas: Expensive, emissions-intensive, unnecessary. November 2025.

It should deliver additional, low-cost gas quickly

LNG exporters control most of Australia's gas reserves. They are best placed to quickly increase domestic supply, including by diverting excess gas that otherwise would have been exported.

Allowing LNG exporters to:

- ▶ Purchase domestic gas for their exports or to meet their domestic supply requirements
- ▶ Purchase existing tenements outright
- ▶ Develop new high-cost gas reserves

... could result in either no or limited additive gas supply.

It could also push domestic prices up while low-cost gas is exported.

Domestic supply requirements should be net of any domestic gas purchases

Approvals should be required for contracts and spot exports

- ▶ A mandatory export permit framework - based on criteria including reserves availability, compliance with domestic obligation and selling practices - would ensure LNG exporters don't 'overcontract' and are incentivised to be good market participants.
- ▶ It should cover contracts and contract extensions (when the exporter has the right not to extend the contract) as well as spot sales.
- ▶ To avoid oversupply, it should include a 'release valve' to allow higher exports when the domestic market is well supplied, prices are reasonable and storage facilities are at or near capacity.

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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