

29 October 2026

Senate Standing Committees on Economics

Submitted online



Domestic Gas Reservation Bill 2026

The Australian Financial Markets Association (AFMA) is responding to the Senate Standing Committee on Economics' inquiry into the Domestic Gas Reservation Bill 2026 and related bills (the Bill).

AFMA is the leading industry association representing Australia's financial markets - including the capital, credit, derivatives, foreign exchange, and other specialist markets. We have more than 140 members, from Australian and international banks, leading brokers, securities companies, and state government treasury corporations to fund managers, energy firms, and industry service providers including key participants in the east coast gas market.

Key Points

- **The east coast gas market will struggle to absorb a 10% over-supply**
 - **Over-supplying the market will disincentivise investment and long-term contracting**
-

Australia's gas market requires long-term investment to maintain reliable domestic supply as traditional domestic fields decline. The effectiveness of any gas reservation scheme will therefore depend not only on the volume of gas reserved for domestic use, but also on whether the framework provides long-term certainty for both domestic and export focused producers, and users, to make long-term decisions. We are concerned that the Bill's proposed scheme does not provide this certainty.

AEMO's most recent Gas Statement of Opportunities forecasts that, with currently expected investment, the east coast gas market will remain balanced until 2035, as a result the domestic market has limited ability to efficiently absorb additional gas. The Bill's proposal to oversupply the market by up to 10% is likely to be difficult for exporters to comply with, as there will be insufficient demand for their gas, while also disincentivising domestic focused production which has to compete with the gas supplied by exporters. We anticipate the main impact of imposing a 10% oversupply will be, in the short-term, inefficient use of gas for power generation and, longer-term, reduced investment in domestic gas production and greater reliance on exporters to supply the market.

We consider that combining the oversupply objective with the Bill's must sell obligation is highly problematic as it is likely to result in the exporters having trouble finding buyers for the gas they have to sell and domestic focused producers being displaced. The Bill's flexibility mechanism partially deals with this issue by allowing up to 10% of the obligation to be moved to future regulatory periods, but it does not deal with circumstances where the oversupply is larger than can

be accommodated by the combination of market demand and the flexibility mechanism. We consider that it is inappropriate for exporters to be fined for failure to meet an obligation that was set at an inappropriate level and proves impossible for them to meet. We think the oversupply percentage should be set at a level the market is able to absorb and that there should be more flexibility for exporters in the event that it is set too high. This could include aligning the must sell obligation with the Western Australian obligation to genuinely market, or giving either the Australian Energy Regulator or the Minister, the ability to grant relief in the event that meeting the obligation proves to be impossible.

AFMA Recommendations

- i. The over-supply percentage should be set at a level the market is able to absorb.
- ii. There should be flexibility for exporters in the event that the domestic supply obligations prove impossible to meet.

AFMA would welcome the opportunity to discuss this submission further and would be pleased to provide further information or clarity as required Please contact me at lgamble@afma.com.au or 02 9776 7994.

Yours sincerely,

Lngamble

Lindsay Gamble

Head of Energy and Carbon