



Premier of Western Australia

Our Reference: 60-168870

The Honourable Chris Bowen MP
Minister for Climate Change and Energy
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Dear Minister

Chris,

Thank you for the opportunity to provide a submission on the Commonwealth's Gas Market Review (Review) on behalf of the Western Australian Government.

I understand the Review will examine the effectiveness of the existing gas market mechanisms, with specific focus on the Australian Domestic Gas Security Mechanism (ADGSM), Gas Market Code and the Heads of Agreement with east coast LNG exporters, and identify opportunities for improvement.

This submission focuses on the 'Supply, security and trade' theme with regard to the co-existence of a successful LNG industry and a well-functioning domestic gas market in Western Australia (WA). While WA's approach may provide a model for reform at the national level, our firm position is that any reform options at the national level should not interfere with WA's existing domestic gas reservation policy.

Supply, security and trade

In 2024, WA's LNG sales were 48.2 million tonnes at a value of A\$36 billion, which accounted for 12 percent of global LNG exports. The LNG industry has brought significant investment to WA, contributing strongly to gross state product and export earnings, and in 2024, was WA's most valuable petroleum product produced and the State's second most valuable resource commodity overall.

The WA LNG industry also plays an important role in making gas available for energy security and industrial and economic development in the State through the WA Domestic Gas Policy (Policy). The Policy aims to secure the State's long-term energy needs by ensuring sufficient gas from LNG projects is reserved for the domestic market and is available to support the State's ongoing economic development and energy transition. Gas is essential for WA's energy security, so unlocking new supply consistent with the principles of the Commonwealth's Future Gas Strategy remains crucial to enable gas to provide support as a transition fuel until renewable power generation and storage and green exports become more viable.

The WA Government recognises the importance of gas in securing domestic and international energy needs, supporting the decarbonisation of the Australian economy and the energy transition, so is broadly supportive of the current Review.

Successive WA Governments have maintained a domestic gas policy since the agreement for the North West Shelf LNG project was ratified in 1979 with the Policy formalised in 2006.

The Policy is built on three pillars, which requires LNG exporters to:

- Reserve domestic gas equivalent to 15 per cent of LNG production over the life of the project.
- Develop and/or obtain access to necessary infrastructure to meet domestic gas commitments.
- Demonstrate good faith marketing by making gas available to existing and potential domestic consumers.

There is no specific legislation or regulation supporting the Policy. Rather, the Policy is given effect through long-term agreements between the WA Government and developers of LNG projects, including State Agreements, State Development Agreements and Domestic Gas Commitment Agreements. These agreements are executed prior to a final investment decision being made on a development to provide certainty for LNG exports and sustained gas supply into the local market.

There are 17 LNG exporters that have domestic gas commitments (including exporters with multiple commitments) with the State, and each LNG exporter markets and makes available domestic gas based on their equity share in the project. These exporters are responsible for the delivery of the State's 8 domestic gas agreements through their respective joint ventures, with aggregate domestic gas commitments totalling 6,146 petajoules. In 2024, supply from these domestic gas commitments accounted for around 62 per cent of the State's total domestic gas supply, with the remainder of supply provided by non-export projects.

Domestic gas supply from these LNG exporters has unlocked major mining, mineral processing and industrial operations, particularly in the State's north, creating jobs and regional economic development. In particular, the recently executed Scarborough Domestic Gas Agreement has underpinned the development of new downstream processing industry, including Perdan's Project Ceres, which will be Australia's largest urea plant.

The Policy is applied in a flexible manner, enabling producers to seek the best commercial terms for supply. This allows producers to supply during more favourable domestic market conditions and optimise the timing of supply over time. While producers are not forced to sell gas if the market is well supplied, they must continue to market the gas in good faith. Any unsold gas must be reserved in support of future industrial and economic development.

The Policy continues to evolve and adapt with the LNG industry. The Policy was updated in 2011, 2020, 2023 and 2024, to keep it fit for purpose in responding to emerging demand for gas from the local market and responsive to opportunities to support diversification of the economy and the energy transition.

Pricing

The Policy does not seek to regulate or set prices. This ensures producers and consumers are able to negotiate acceptable prices and contract terms for supply in good faith. This is different to the existing east coast arrangements under the Gas Market Code which sets a price cap. The structural differences between the east and west coast markets may in part explain the different objectives of the various domestic supply mechanisms, with WA's Policy focused on sufficiency of supply, while the east coast, through the Gas Market Code, is focused on price affordability. These structural differences are based on the consumption of supply, with a large portion of gas on the east coast consumed by manufacturers and households who are likely to be more sensitive to price volatility, whereas in WA most gas is consumed by industry. The Policy helps insulate the WA domestic gas market from international gas markets, ensuring the State's domestic gas market is less exposed to volatility in global LNG markets and consequently rising prices.

Market transparency

The Gas Bulletin Board (WA GBB) and Gas Statement of Opportunities (WA GSOO) provide the public with short and longer-term information on the natural gas supply-demand balance in WA. Both the WA GBB and WA GSOO are operated by the Australian Energy Market Operator (AEMO).

The WA GBB publishes domestic gas production, storage and transport data on a daily basis. The WA GSOO is prepared and published annually to provide a long-term gas supply and demand outlook for the WA. The objectives of both transparency mechanisms are to promote the long-term interests of consumers of natural gas in relation to the:

- Security, reliability and availability of the supply of natural gas in the State;
- Efficient operation and use of natural gas services in the State;
- Efficient investment in natural gas services in the State; and
- Facilitation of competition in the use of natural gas services in the State.

Unlike the Gas Bulletin Board and Gas Statement of Opportunities operating in the East Coast Gas System, the WA GBB and WA GSOO are established under the *Gas Services Information Act 2012* (WA) rather than the National Gas Law. Subsidiary legislation includes the Gas Services Information Regulations 2012 (WA) and Gas Services Information Rules (GSI Rules).

The GSI Rules govern the operation of the WA GBB and preparation of the WA GSOO. They also detail the roles and functions of the Coordinator of Energy, AEMO, the Economic Regulation Authority and gas market participants.

The Coordinator of Energy, in consultation with the WA Gas Advisory Board, is currently undertaking a review of the GSI Rules. Arising out of the recent WA Parliamentary Inquiry into the Policy and WA's proposed adoption of National Gas Law amendments, the review is expected to result in GSI Amending Rules in April 2026.

In addition to the WA GBB and WA GSOO, market transparency is also provided in WA through the WA Domestic Gas Statement. Published on the Department of Energy and Economic Diversification's website, the WA Domestic Gas Statement provides details on LNG exporters' compliance with the 15 per cent reservation requirement, projected short to medium-term gas supply to the WA market and each operating domestic gas supply project in WA. The WA Government intends to update the WA Domestic Gas Statement on an annual basis and in future will consider the inclusion of additional information such as demand profiles.

Role of market bodies

It should be noted that the role of market bodies in the WA regulatory framework differs significantly from the East Coast Gas Market:

- Aside from its operation of the WA GBB and the publication of the WA GSOO, AEMO does not have a role in the WA gas market. Any reforms relating to AEMO's functions in WA would require fundamental amendments of the legal framework.
- The Economic Regulation Authority's functions under the GSI Rules are limited to compliance monitoring and enforcement of the rules.
- Under WA's National Gas Law, the Economic Regulation Authority is responsible for the economic regulation functions that, in other parts of Australia, are the responsibility of the Australian Energy Regulator. The Australian Energy Regulator does not have a role in the WA gas market.
- The monitoring and reporting role that the Australian Competition and Consumer Commission (ACCC) has in the East Coast Gas Market, such as in relation to compliance with the Heads of Agreement, does not extend to WA.

Reform

The WA Government has ensured WA's energy security by executing the long-term agreements with LNG exporters. The State uses the Policy as the primary mechanism to deal with market shortfalls and has effectively engaged with LNG exporters over the past few years on opportunities to support the WA market. These agreements also include provisions for arbitration and suspension of uncontracted LNG where an exporter has defaulted in meeting their commitment. The WA Government understands that the ADGSM, if activated, would apply to all states and territories in Australia, and is therefore available if WA requires enforcement over and above the Policy, which the State and affected parties would be expected to be engaged on. Any proposed review and reform of the ADGSM should not interfere with the existing or potential contractual agreements between the State and LNG exporters, to ensure certainty for the market and investors.

Furthermore, a key pillar of WA's Policy is reservation, to ensure gas is available for domestic supply. A national gas reservation scheme should not interact or interfere with WA's Policy. Any perception that a national reservation scheme could affect WA LNG projects needs to be avoided as it will create uncertainty for project developers and undermine the State's attractiveness for new investment. Should a national gas reservation scheme be under consideration, it should be made clear to LNG investors and the WA LNG industry that WA will not be affected.

WA's Policy continues to meet local demand, supports economic development and the State's energy transition. The policy and regulatory settings in WA and the contractual arrangements with LNG exporters that give effect to the Policy are working and should not be disturbed.

Yours sincerely



ROGER COOK MLA
PREMIER

18 AUG 2025