Please direct all responses/queries to:
[redacted]

Woodside Energy

Woodside Energy Group Ltd
ACN 004 898 962
Mia Yellagonga
11 Mount Street
Perth WA 6000
Australia
T: +61 8 9348 4000
www.woodside.com

30 June 2026

Gas Review Team
Department of Climate Change, Energy, the Environment and Water
GPO Box 3090
Canberra ACT 2601

Via email: gasmarkets@dcceew.gov.au

Dear Gas Review Team

WOODSIDE ENERGY: DOMESTIC GAS RESERVATION SCHEME DRAFT DESIGN FRAMEWORK

Woodside Energy welcomes the opportunity to contribute to the Australian Government's draft Design Framework (the draft Design Framework) for the proposed Domestic Gas Reservation Scheme (DGRS) released by the Department of Climate Change, Energy, the Environment and Water and the Department of Industry, Science and Resources in May 2026.

Woodside is committed to working collaboratively with Government to establish a long-term, stable regulatory environment to support domestic energy security and affordability and supports the introduction of an appropriately constructed and market-oriented domestic gas reservation scheme. Stable regulatory settings are critical to ensuring future energy security, supporting jobs and the Government's 'Future Made in Australia' agenda, and lifting overall economic prosperity. Conversely, poorly calibrated settings risk distorting market signals, leading to an oversupplied domestic market and therefore undermining future investment in new supply and infrastructure and jeopardising future supplies for Australian industry and households.

While Woodside supports the objectives of the proposed DGRS and the Government's broader reform agenda, the current draft Design Framework raises several material concerns that warrant early attention and ongoing consultation.

Noting the Gas Market Review team's assessment that the domestic gas market is adequately supplied in the near term and gas shortfalls are not forecast in most scenarios until post-2030[1], there is an opportunity to take a measured approach to detailed design. This will be critical to ensuring the proposed DGRS supports rather than undermines long-term investment, domestic supply, and energy security.

Woodside has identified four key areas of concern:

- **Interaction with existing state-based regimes:** The draft Design Framework does not clearly recognise established arrangements, particularly the Western Australian (WA) Domestic Gas Policy, creating risks of duplication, regulatory conflict, and heightened uncertainty for existing and future projects.

- **Risk of structural oversupply:** The proposed settings may result in sustained oversupply in the east coast market, distorting price signals, weakening investment incentives and ultimately constraining the development of new domestic gas supply.

[1] https://www.aemo.com.au/-/media/files/gas/national_planning_and_forecasting/gsoo/2026/2026-gas-statement-of-opportunities.pdf?rev=58e84053c8d240a487cf274c91ebd284&sc_lang=en

- **Insufficient flexibility and risk of forced sales:** The combination of fixed annual supply obligations, forced sale requirements and limited flexibility mechanisms risks compelling gas producers to supply gas irrespective of market conditions, with potential for uneconomic outcomes and further market distortion.

- **Reliance on Ministerial discretion:** The breadth of discretionary decision-making across key elements of the draft Design Framework introduces uncertainty regarding how the regime will operate in practice, which is likely to materially affect long-term investment and contracting decisions.

Addressing these issues through a more flexible, rules-based and market-aligned framework will be essential to achieving the stated objectives of the proposed DGRS. To achieve this, Woodside recommends the following changes to the draft Design Framework:

1. Recognition of state and territory arrangements in primary legislation.

2. Graduated ramp-up and a Domestic Supply Obligation (DSO) percentage calibrated to prevailing market conditions.

3. A flexible, availability-based acquittal framework, with a pre-approved 'release valve'.

4. A multi-year export approval and DSO compliance framework.

5. Rules-based decision-making.

Woodside's detailed comments on the draft Design Framework are outlined in the Attachment 1.

Woodside welcomes the opportunity to contribute to the Government's work to establish a long-term, stable regulatory environment to support domestic energy security and affordability. As a member of the Australian Energy Producers, Woodside supports and draws attention to their submission. Woodside takes its responsibility to contribute to local energy security seriously and looks forward to continued engagement with Government in support of a transparent, efficient and investment-enabling gas market.

Yours sincerely

[redacted]

Breyden Lonnie
Executive Vice President and Chief Operating Officer Australia

Attachment 1

Woodside Energy's detailed comments on the draft Design Framework for the Domestic Gas Reservation Scheme (DGRS)

Background and context

Woodside is a global energy company founded in Australia, providing reliable and affordable energy to help people lead better lives. Driven by a spirit of innovation and determination, Woodside, together with the other the North West Shelf joint venture participants, established the liquefied natural gas (LNG) industry in Australia more than 35 years ago and today supplies a growing base of customers. Woodside has reliably delivered gas to homes and businesses in Australia – and LNG for our critical trading partners – for decades, supporting the development of local industry and driving economic prosperity.

In Western Australia, Woodside operates a number of significant projects, including the North West Shelf Project, Pluto LNG and Macedon Gas Plant, and is developing and will operate the Scarborough Energy Project including Pluto Train 2. The proponents of these projects have agreed to domestic gas obligations with the Western Australian Government pursuant to the WA Domestic Gas Policy.

With respect to Australia's east coast gas system, in the Bass Strait, Woodside holds a 50% interest in the Gippsland Basin Joint Venture and a 32.5% interest in the Kipper Unit Joint Venture. Natural gas produced from these Bass Strait assets is 100% dedicated to the Australian domestic market and currently supplies approximately 40% of Australian east coast domestic gas demand. Pursuant to an agreement with ExxonMobil Australia in 2025, Woodside expects to assume operatorship of these Bass Strait assets in H2 2026, unlocking the potential development of up to 200 petajoules (PJ)[2].

The Western Australian and east coast gas markets operate as distinctly separate markets. As recognised in the *Competition and Consumer (Gas Market Code) Regulations 2023* (Cth) (the Gas Market Code), the physical nature of gas and the limitations of its transportation mean that consumers in the east coast gas market cannot, as a practical matter, access gas produced in Western Australia. This separation results in two distinct and independent gas markets.

The WA Domestic Gas Policy was formalised in 2006 and is given effect through long-term agreements executed between the Western Australian Government and LNG exporters. These agreements, some of which are embodied in legislation, are executed prior to a final investment decision to provide certainty for LNG exporters and transparency for consumers. The policy requires that 15% of LNG production be reserved for the domestic gas market over the life of the project, with LNG exporters required to market gas with a view to maintaining stable and regular supply[3]. The Western Australian Government undertakes regular reviews of the policy to ensure it remains fit-for-purpose. Woodside has successfully operated within the policy since its inception and considers that the policy has achieved its objectives of providing domestic energy security without undue market intervention and represents a sound precedent.

This contrasts with the east coast gas market, which does not have a domestic gas reservation policy and continues to face structural challenges despite significant market interventions by Government, including the introduction of the Australian Domestic Gas Security Mechanism (ADGSM) in 2017, the Commonwealth Heads of Agreement with LNG exporters (HoA) in 2020 and the Gas Market Code in 2023. Evidence shows that these interventions over successive governments have reduced investment and led to the Australian Competition and Consumer Commission (ACCC) concluding in its September 2025 Gas Inquiry interim report that Government interventions "have not resulted in a material improvement in long-term energy security, reliability or affordability to date"[4]. These policies were brought in to address specific market conditions that emerged in the east coast gas market, where LNG exporters had begun purchasing domestic gas for export. The same issues do not apply in Western Australia, which is an LNG market based on the processing of offshore gas fields at onshore facilities.

With this context, Woodside considers that the finalised DGRS should respect and recognise these two distinct and independent gas markets and effectively leverage the existing regulatory arrangements in place.

---

[2] Completion is subject to conditions precedent; http://www.woodside.com/docs/default-source/asx-announcements/2025/woodside-strengthens-its-australian-operations.pdf?sfvrsn=4cb49c70_1
[3] http://www.wa.gov.au/government/wa-domestic-gas-policy
[4] https://www.accc.gov.au/system/files/gas-inquiry-september-2025-interim-report.pdf

The proposed Commonwealth Domestic Gas Reservation Scheme

Woodside has been constructively engaged in the Gas Market Review process which has been underway since mid-2025 and supports the Government's comprehensive reform agenda aimed at maintaining investment incentives, supporting secure and reasonably priced gas supply, improving market efficiency, transparency and fairness, and supporting Australia's energy transition. The draft Design Framework states that the proposed DGRS "aims to ensure more Australian gas is supplied to the domestic market, helping to make energy more affordable for families, protecting businesses from international shocks, and keeping our heavy industries competitive". Woodside understands that these are the key objectives of the proposed DGRS.

In relation to the Government's 7 May 2026 announcement on the proposed DGRS, and the subsequent draft Design Framework, Woodside considers that key elements of the proposed DGRS are unworkable in practice and are likely to result in significant unintended consequences, including as set out below. In addition, the reliance on broad Ministerial discretion across critical components of the regime creates ongoing uncertainty, which will materially affect long-term investment decisions and contracting.

Accordingly, Woodside reiterates that careful, considered design of the proposed DGRS is essential to minimise those unintended consequences and provide long-term certainty to gas producers and customers. The detailed design will be critical to ensuring it supports rather than undermines long-term domestic gas supply and energy security. Given the importance of getting the detail right, Woodside queries the appropriateness of the proposed timeline for commencement on 1 July 2027, including a transitional period from 1 January 2027. This timeline affords limited opportunity for meaningful consultation, structured review of the legislative materials, and necessary implementation and transition activities to meet the proposed DGRS as set out in the draft Design Framework. Noting the context of the Gas Market Review team's assessment that the market is adequately supplied in the near term and gas shortfalls are not forecast in most scenarios until post-2030[5], Woodside considers there is sufficient time to ensure the framework is developed in a measured and deliberate way.

Woodside considers the areas outlined below warrant close attention to minimise the risk of significant practical impacts on gas producers and market distortions that could ultimately defeat the purposes of the reforms if not addressed appropriately. Woodside's submission is provided on the assumption that implementation of the proposed DGRS will be accompanied by the removal of existing Government instruments, consistent with Ministerial commitments, including the HoA, the ADGSM, and the reasonable price mechanism, EOI process provisions and ministerial exemption framework under the Gas Market Code. In addition, complementary reforms to streamline regulatory approvals, reduce duplication and improve regulatory timelines are required to support timely and continued investment in new gas supply.

Impact on state-based schemes

The draft Design Framework outlines a Domestic Supply Obligation (DSO) calculated based on a proportion of total production "equivalent to a fixed percentage of LNG exports". While this aspect is consistent with the calculation methodology used in the WA Domestic Gas Policy (which also refers to reserving gas equivalent to a fixed percentage of LNG production), the draft Design Framework requires up to 20% to be supplied year to year (subject to variations) while the WA Domestic Gas Policy requires 15% to be reserved over the life of a project.

Public assurances have been provided that Western Australian LNG exporters are not intended to be impacted by the proposed DGRS, and the Gas Market Review Implementation Consultation Summary states that "Stakeholders are broadly supportive of a national DGR scheme that does not affect Western Australia's state reservation policy with no new or additional obligations"[6]. However, the draft Design Framework lacks an explicit legislative mechanism to recognise and not impact existing state-based regimes. Instead, it appears to rely on discretionary approvals, creating uncertainty for projects already subject to the WA Domestic Gas Policy, as well as future projects that would currently fall within that regime.

More broadly, the interaction between fundamentally different frameworks (an annual, supply-based Commonwealth obligation and a life-of-project, joint, reservation-based Western Australian regime), introduces

[5] https://www.aemo.com.au/-/media/files/gas/national_planning_and_forecasting/gsoo/2026/2026-gas-statement-of-opportunities.pdf?rev=58e84053c8d240a487cf274c91ebd284&sc_lang=en

[6] http://storage.googleapis. com/files-au-climate/climate-au/p/prj3ab2df20137ef9256165e/page/Implementation_and_design_Consultation_summary_Public.pdf

ambiguity and the risk of duplication, sub-optimal decisions and regulatory conflict. This undermines investment certainty and may deter future investments, contrary to the Government's objective of supporting long-term domestic gas supply and energy security.

Against this background, the potential impacts of the draft Design Framework on Woodside's Western Australian assets are outlined below:

- A final investment decision (FID) to proceed with the proposed Browse to NWS project will require Woodside and the other joint venture participants to assess the risks arising from the proposed DGRS, including ongoing regulatory uncertainty and impacts on project economics. In the context of an already complex, capital-intensive development, these risks may delay FID or deter investment altogether resulting in the loss of significant economic activity, including employment, local content opportunities, and government royalties and tax revenues over the life of the project.

- The proposed DGRS is not aligned with the operating and commercial structure of established LNG projects in Western Australia, which have been developed under long-standing regulatory and contractual frameworks. The North West Shelf, Pluto LNG and Scarborough Energy Projects rely on forward LNG cargo scheduling, firm lifting obligations, and contractually agreed scheduling to manage limited storage capacity, shipping arrangements and reservoir management considerations. Many aspects of the proposed DGRS cut across these arrangements, creating a risk of fundamental misalignment with existing project structures. This could necessitate the renegotiation of key commercial agreements and State arrangements, introducing material uncertainty and cost.

- Several aspects of the proposed DGRS (including the forced sale obligation, annual acquittal requirement and 'release valve') may restrict LNG exporters' ability to optimise portfolios and participate in the spot market. Impacts on trading activities could materially affect project economics and erode expected returns that underpin investment decisions. Reduced project returns directly translate into lower government taxation and royalty revenues over the life of the project, as well as reduced capacity to reinvest in new supply. Any material impact on the LNG spot market could impact broader regional energy security.

- Several elements of the proposed DGRS may be inconsistent with existing regulatory approvals applying to Woodside's LNG projects, including the Field Development Plan and rate of recovery approvals under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (Cth). This creates risk that compliance with one regulatory regime results in non-compliance with another, exposing projects to material regulatory risk. Such uncertainty further undermines investment confidence and may delay or prevent the development of future projects.

Recommendation #1: Recognition of state and territory arrangements in primary legislation

The proposed DGRS should avoid imposing further obligations on LNG exporters that are subject to existing regulatory arrangements and already achieving the objectives of the proposed DGRS as currently understood, such as the WA Domestic Gas Policy. The recognition of state and territory based domestic gas reservation regimes could be acknowledged in the primary legislation that enables the proposed DGRS in several ways, including as follows:

- Excluding from the application of the proposed DGRS any gas markets which are already achieving the objectives of the DGRS with domestic gas commitments required by existing state or territory arrangements, in a similar manner to section 9 of the Gas Market Code which limits the application of the Gas Market Code geographically to those gas markets requiring intervention; or

- Defining 'regulated entity' in the primary legislation to expressly exclude any LNG exporter that is subject to a state or territory based domestic gas reservation regime, coupled with an express definition of 'state/territory domestic gas reservation regime' in the primary legislation by reference to existing state and territory arrangements, such as the WA Domestic Gas Policy.

This would preserve the integrity of existing arrangements, avoid duplication and conflict, and provide the regulatory certainty required to support ongoing investment.

The balance of this submission outlines the potential impacts of applying the proposed DGRS to both the Western Australian and east coast gas markets, and sets out Woodside's recommendations to mitigate these impacts.

Effects of structural oversupply

The objectives of the proposed DGRS, as we understand them, aim to ensure more supply to the domestic gas market. However, in the materials that have been published for consultation, the proposed DGRS appears to target a significantly and persistently oversupplied east coast gas market, by reallocating existing developed gas resources, particularly in the early years of operation. This is despite AEMO's 2026 GSOO not forecasting shortfalls over this period. Forcing substantial incremental gas into an already balanced market (potentially exceeding 200 PJ per year) would result in sustained oversupply.

Structural oversupply would weaken investment signals, crowd out domestic-only gas producers, and undermine the investment incentives required to bring forward new supply, including investment in infrastructure. This would represent a perverse outcome from a policy intended to strengthen, rather than weaken, domestic energy security. The impacts of the proposed DGRS are not limited to LNG exporters. Sustained oversupply is likely to materially affect domestic-only gas producers or projects fully dedicated to the domestic gas market, such as Woodside's Bass Strait assets. Structural oversupply risks creating a short-term downward change in price that will reduce or eliminate the incentive to bring new supplies to market, creating risks of acute shortages once the initial effect of oversupply leaves the system.

The potential development of up to 200 PJ of additional Bass Strait resources, identified as part of Woodside's transaction with ExxonMobil Australia in 2025 to assume operatorship of the Bass Strait assets, relies on stable price signals and the ability to secure long-term foundation agreements. In an environment of sustained policy-driven oversupply, these conditions are unlikely to be met, materially reducing the likelihood that this new domestic supply proceeds. In practice, new developments often require long-term foundation gas sales agreements to underpin the decision to develop, but these agreements are unlikely to be struck in a policy environment which routinely forces periods of oversupply, and which may therefore regularly push prices below the cost of production. In this environment, projects that would otherwise contribute additional domestic supply may not proceed.

This creates a risk that the framework could inadvertently constrain, rather than support, the development of new domestic gas supply. Policy settings that induce oversupply in the near-term risk weakening the very investment signals required to deliver supply when it is needed most.

Recommendation #2: Graduated ramp-up and a DSO percentage calibrated to prevailing market conditions

To mitigate the risk of structural oversupply and associated unintended consequences, the proposed DGRS should adopt a graduated ramp-up of the DSO from commencement, with the DSO percentage (operating as an upper limit) calibrated to prevailing market conditions. Over the longer term, additional mechanisms should be considered to ensure the proposed DGRS remains responsive to changes in market conditions without creating sustained oversupply. Instead of a DSO percentage review reliant on Ministerial discretion, the review should be a structured, periodic review with adjustments to the DSO percentage governed by clearly defined parameters and objective triggers, underpinned by independent market analysis.

Need for greater flexibility including to prevent forced sales

The draft Design Framework combines the 20% DSO percentage with a forced sale obligation and an annual acquittal requirement. This would mandate the delivery of substantial volumes of gas into the domestic gas market irrespective of demand conditions. In an otherwise balanced market, this would create conditions of structural oversupply, distorting price signals and increasing the risk that gas producers are compelled to sell gas below the cost of production to comply.

More broadly, policies that artificially suppress prices or force supply into an already balanced or oversupplied market risk distorting commercial signals, deterring investment and constraining future supply. Over time, this would erode the incentives required to develop new gas resources, undermining both market stability and long-term energy security.

The draft Design Framework includes mechanisms intended to provide flexibility in the application of the DSO, including annual DSO adjustments for the forthcoming year and an in-year 'release valve'. However, these mechanisms operate on a short-term and short-notice basis and are subject to discretionary approval, limiting their alignment with the longer-term nature of contracting and investment decisions. The absence of clearly defined objective criteria or parameters further reduces transparency and predictability. As a result, these mechanisms do not provide the flexibility or longer-term certainty required.

Recommendation #3: A flexible, availability-based acquittal framework with a pre-approved release valve

The proposed DGRS should not contain a firm supply obligation but should adopt a flexible, availability-based framework under which LNG exporters are required to make gas available to the domestic gas market on commercially reasonable terms, by demonstrating diligence and good faith marketing. Gas that has been genuinely offered but not taken up should be able to be exported as LNG without further approval, provided sufficient volumes remain reserved to meet the DSO over the compliance period. Access to the pre-approved release valve should be conditional on ongoing compliance with DSO obligations, as demonstrated through annual reporting. This should be combined with a DSO percentage (operating as an upper limit) calibrated to market conditions to avoid the accumulation of material compliance liabilities that cannot be met in practice.

Recommendation #4: A multi-year export approval and DSO compliance framework

LNG export approvals should be granted on a multi-year basis, aligned with project life or broader investment timelines, including long-term LNG contracting horizons. Compliance with the DSO should also be assessed on a multi-year basis, allowing over and under-delivery to be managed across the compliance period. This approach should be supported by annual reporting obligations and proportionate measures to address non-compliance.

This will ensure that the proposed DGRS better aligns with market dynamics, avoids structural oversupply, and preserves investment signals, while ensuring domestic gas is available when needed.

Balancing ministerial discretion with rules-based decision-making

The draft Design Framework combines Ministerial decision-making with regulatory oversight from the Australian Energy Regulator (AER). However, the breadth of Ministerial discretion introduces the risk of unpredictable and non-transparent decision-making.

Uncertainty regarding decision-making parameters, timing and the potential for intervention may also contribute to perceptions of politicisation and heightened sovereign risk. This is inconsistent with the stable and predictable policy settings required to support long-term, capital-intensive investments and ensure energy security.

Recommendation #5: Rules-based decision-making

To achieve this, the framework should adopt a predominantly rules-based approach, with key decision parameters clearly defined in primary and subordinate legislation and applied by the regulator against objective, pre-determined criteria. Ministerial discretion should be limited to high-level policy settings and major structural decisions, with all operational matters subject to transparent processes, defined timelines and clear decision criteria.

This approach will reduce uncertainty and strengthen confidence in the regulatory framework.

Conclusion

The design of the proposed DGRS must strike a careful balance. It should focus on Australian households and industry having access to reliable and affordable gas, while preserving commercial incentives that underpin LNG exports and Australia's role as a trusted international energy supplier supporting the global energy transition and the vital interests of Australia's regional partners. Woodside believes that achieving this balance is essential, not only for Australian domestic energy security, but also for supporting continued investment in new supply and infrastructure, to enable gas to continue to play its role in the energy transition. Stable and predictable policy and regulatory systems provide the necessary certainty for the long-term investments required to achieve the outcomes sought by the Australian Government's Future Gas Strategy.