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Oil and Gas Division
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Via email: domesticgas@industry.gov.au

Dear Consultation Team

WOODSIDE ENERGY: DOMESTIC GAS RESERVATION SCHEME EXPOSURE DRAFT LEGISLATION

Woodside Energy welcomes the opportunity to contribute to the consultation on the Exposure Draft Legislative Package for the Domestic Gas Reservation Scheme (DGRS) as released by the Department of Industry, Science and Resources and the Department of Climate Change, Energy, the Environment and Water on 10 September 2026.

Woodside remains committed to working constructively with the Australian Government to improve domestic energy security and affordability. The central policy challenge is ensuring that domestic supply obligations are structured in a way that both efficiently allocates existing gas, and supports the investment required to develop new gas supply for Australian customers over coming decades.

Achieving the objectives of the DGRS will require a framework that preserves long-term investment incentives, does not interfere with existing reservation arrangements that are delivering the same policy outcomes, and provides the regulatory certainty necessary to support long-term investment decisions. Stable and predictable regulatory settings remain essential to attracting investment in new gas supply, supporting economic growth, and maintaining Australia's position as a reliable energy supplier to both domestic and international customers. This is particularly important for long-life, capital-intensive LNG projects where investment decisions are made years in advance of production commencing.

While the Exposure Draft legislation includes some positive developments, Woodside remains concerned that key elements of the framework will have unintended outcomes that undermine domestic energy security, affordability and future investment in new gas supply. Woodside's comments and recommendations on these elements are intended to be constructive, targeted and solutions-focused, drawing on Woodside's experience supplying gas to both domestic and international markets.

Woodside welcomes those aspects of the Exposure Draft legislation which recognise key industry concerns identified during earlier consultation, including:

- **Calibration of the domestic supply obligation:** Recognition that the domestic supply obligation (DSO) is not fixed at 20% of LNG exports in all circumstances and may be calibrated to market conditions.
- **Recognition of separate domestic gas markets:** Recognition that Australia comprises physically separate domestic gas markets and that the obligation should reflect those differences.

- **Implementation period:** Recognition that the introduction of a requirement for an LNG export licence and imposition of the DSO obligation will have a significant impact on industry, and allowing time for export licence applications, adjustment determinations and implementation.
- **Long-term export licences:** The granting of long-term export licences with durations of between 20 and 50 years to provide greater certainty for long-life LNG projects.

In addition, we note several significant elements of the proposed framework are dependent on Gas Market Code provisions, AER methodologies and subordinate legislation that have not yet been published, limiting industry's ability to fully assess the practical operation and consequences of the framework during the consultation period. These elements should be the subject of future consultation when relevant materials are released.

Material issues for consideration

Woodside has identified five principal areas where further refinement of the Exposure Draft legislation is strongly recommended.

1. Treatment of Western Australia remains uncertain

The Western Australian (WA) domestic gas policy has underpinned decades of domestic supply, industrial development and LNG investment. However, the Exposure Draft fails to provide explicit recognition of existing or future domestic gas reservation arrangements, or to require mandatory Ministerial consideration of those arrangements, even in circumstances where they are already achieving the stated policy outcomes. As a result, the treatment of WA is uncertain, with existing WA reservation arrangements, which reflect project-specific application of the WA Domestic Gas Policy, recognised only in limited circumstances. While DSO adjustments and variations may provide some relief for WA exporters, these mechanisms are transitional, discretionary, and subject to amendment and revocation.

Given the reliance on Ministerial decision-making, WA exporters will not have certainty over which regime to comply with until the end of 2027. This will create a material compliance burden, because exporters will be required to plan and operate on the basis that the Commonwealth regime applies, or risk jeopardising export rights. Given the scale of LNG operations, the commercial consequences of such uncertainty could be significant. To the extent the Commonwealth regime overlaps with the WA regime, the additional complexity created from the interaction between the two inconsistent regimes will be a material disruption to existing operations and commercial frameworks, will create uncertainty for domestic gas customers and may act as a barrier to progressing new WA projects.

The framework should not interfere with existing domestic gas reservation arrangements; it should provide greater certainty regarding how existing and future State and Territory-based arrangements that are delivering domestic gas outcomes will be recognised under the national scheme.

2. Risk of structural oversupply and distorted market outcomes

A domestic reservation scheme should promote long-term and reliable gas availability for customers by encouraging additional supply into the Australian market, not suppress the investment signals required to develop that supply. While the ability to calibrate the DSO to market conditions is a positive development, the proposed framework lacks an adequate mechanism for addressing instances of sustained over-forecasting of demand. Without such a mechanism, the reliance on AEMO demand and supply forecasts as inputs into the calibration process, combined with the market oversupply requirement and an unclear treatment of deferred and debt quantities, will all work to increase the risk of structural oversupply and distorted market outcomes. If the scheme does not allow the export of volumes of gas that can be demonstrated to exceed domestic requirements, this persistent oversupply will impact investment signals, crowd out domestic-only producers and undermine investment in new domestic gas supply resulting in significant risks that domestic gas customers will face a shortfall in future years. The annual nature of the calibration process also provides no certainty for longer-term LNG production, contracting and investment decisions further exacerbating the risk to domestic supply.

A multi-year calibration framework, together with a flexible acquittal framework that allows export of gas that can be reasonably demonstrated to exceed domestic requirements, would materially reduce these risks and better align the framework with long-term investment horizons.

3. Insufficient flexibility and risk of forced supply

The DGRS operates as a 'must supply' obligation, requiring gas to be sold into a market that is oversupplied by design. The scheme seeks to mitigate the adverse investment impacts that would arise from this through the introduction of a flexibility mechanism. However, the mechanism is narrow, inadequate and difficult to access, and is therefore unlikely to provide sufficient relief.

The framework provides limited flexibility for LNG exporters to manage volumes that are not required by the domestic market or cannot be supplied due to circumstances beyond their control. Relief mechanisms for force majeure, demand shortfalls and other uncontrollable events are narrow and do not adequately address circumstances where non-compliance arises through no fault of the exporter and cannot be remedied in an oversupplied market. Further, the process for obtaining relief appears impractical and, in many cases, may not provide a timely outcome to support operational and commercial decision-making, particularly where existing contractual arrangements are bespoke and involve multiple parties. The proposed 'best endeavours' obligation also creates uncertainty regarding the commercial terms on which gas must be offered into the domestic market.

Without the necessary flexibility to respond to changing supply and demand conditions, the DGRS risks reducing the resilience of the domestic market by creating consistently oversupplied spot market conditions which reduce long-term contracting incentives and increase customer exposure to the spot market. Exporters should be able to export gas without the need for additional approvals, if gas has been diligently marketed and genuinely offered on commercial terms, but not taken up. This additional flexibility is required to avoid distorting market outcomes, maintain investment incentives, and contribute to safeguarding the energy security of Australia and the region.

4. Ministerial discretion and regulatory uncertainty

Key elements of the DGRS are dependent on broad Ministerial discretion, including the requirement for decisions by and consultation with multiple Ministers. While some discretion may be appropriate, the current framework provides insufficient legislative certainty to support long-term investment decisions. In the absence of greater legislative certainty, exporters will be required to assess future investments on the basis of a full DSO obligation and overlapping Commonwealth and State requirements, regardless of whether future Ministerial decisions ultimately provide relief. For major projects, investment decisions must be made based on the legislative framework in force at the time rather than assumptions regarding how discretionary powers may be exercised in the future.

The uncertainty created by such broad Ministerial discretion also impacts gas buyers who may find it challenging to commit to multi-year supply arrangements in the absence of a firm view on expected future price outcomes or market conditions. Customers in this position may find themselves pushed into reducing their contracting horizons despite a stated policy objective of the scheme being the promotion of long-term contracting.

Several significant Ministerial decisions, including those relating to varied DSO percentages and other key framework settings, are not subject to review on their merits. Where a right to review is conferred, the practical value of those review rights may be limited given annual compliance timeframes and that a successful review may result only in the matter being referred back to the Minister for reconsideration. This provides limited certainty in an industry characterised by continuous operations, complex commercial arrangements and long-term investment horizons, where material decisions often need to be made within short timeframes.

Greater reliance on objective criteria, rules-based mechanisms and effective review rights would improve transparency, predictability and long-term investment certainty for both producers and gas users.

5. Material compliance and reporting obligations

The DGRS introduces duplication across Commonwealth and State compliance and reporting obligations, which may disproportionately impact WA exporters. It also provides for Commonwealth information gathering and enforcement powers that are too broad. The potential financial consequences of export licence suspension or cancellation, including production curtailment and inability to export LNG, are significant. There is no materiality threshold for non-compliance, which can lead to disproportionate application of penalties. Exporters will need to make decisions based on the words in the legislation, not based on assurances as to whether discretionary powers will be used that may reduce the burden of compliance and reporting obligations.

Additional issues to be addressed

In addition to these material concerns, Woodside has identified several other matters that warrant further consideration as the framework is finalised, including the following:

- Protection for foundation and existing LNG contracts remains qualified rather than absolute, with relief subject to discretionary Ministerial determinations and strict statutory criteria that may be difficult to satisfy. The resultant financial impacts of a failure to protect existing LNG contracts, as well as Australia's standing as a reliable trading partner, could be material.
- The proposed definitions of 'exporter' and 'own gas' and the concept of 'DSO supply' are too narrow and prescriptive and do not adequately accommodate existing contractual frameworks, including portfolio marketing arrangements. In addition, this could disadvantage minority joint venture participants as many small exporters do not currently directly participate in domestic gas marketing and they may not be able to utilise structures permitted by the DGRS. The contractual frameworks for LNG projects are complex and vary from project to project. It is not always the case that the 'exporter' is the same legal entity that produces, exports and sells gas into the domestic market.
- The ability to utilise additional gas to offset DSO obligations remains uncertain. The AER approval framework lacks transparency and further guidance is required on the gas production baselines, AER approval criteria, application processes and the duration of additional gas status.
- The introduction of an uncapped cost recovery levy payable by licence holders may increase the cost of compliance, which may become material with numerous exporters to be regulated and likely frequent discretions to be exercised.

Recommendations as to minimum changes to the Exposure Draft

To address the concerns outlined in this submission, Woodside strongly recommends the following minimum changes to the Exposure Draft legislation:

- Expressly provide that the DGRS does not apply to a domestic gas market, where an existing domestic gas reservation arrangement applies, provided that arrangement meets the objectives of the DGRS. This would preserve the integrity of existing domestic gas reservation arrangements, provide greater regulatory certainty and reduce the risk of overlapping or inconsistent compliance requirements.
- Adoption of a multi-year demand calibration framework, rather than annual calibration, to better align with long-term LNG and gas project investment and contracting horizons.
- A more flexible acquittal framework including recognition of good-faith marketing outcomes, relief for uncontrollable events, and access to extended compliance periods aligned with long-term investment and contracting horizons. Gas that has been diligently marketed and genuinely offered on commercial terms, but not taken up, should be able to be exported without further approval.
- Greater clarity on the accrual of debt quantities and unsold forecast volumes in circumstances where there is insufficient domestic demand.
- Greater reliance on objective criteria and rules-based processes and the introduction of guardrails for Ministerial decisions, including those that are not subject to review on their merits, to improve transparency, predictability and long-term investment certainty.
- Alignment of Commonwealth compliance and reporting requirements with existing WA obligations where the DSO is 0% to minimise duplication and compliance burden on WA exporters.
- Greater transparency and certainty regarding the operation of the additional gas framework, including production baseline methodologies, approval criteria and the duration of additional gas status.
- Stronger protection of existing contractual commitments, including foundation LNG contracts, to avoid unintended interference with pre-existing commercial arrangements and financial consequences on exporters.

- Publication of key Gas Market Code provisions, methodologies and legislative instruments sufficiently in advance of commencement of the regime to enable industry to fully assess, implement and comply with the framework.
- Review of the proposed cost recovery levy and consideration of mechanisms to ensure the levy remains proportionate and aligned with the administrative burden imposed by the DGRS.
- Availability of extended period determinations that can align compliance obligations with long-term project investments and existing domestic gas reservation commitments.

While this submission focuses on improvements to the Exposure Draft legislation, Woodside considers that broader policy settings will also play an important role in achieving the Government's objectives for domestic energy security and affordability. In particular, measures that support timely project approvals, improve investment certainty, facilitate new gas supply and infrastructure development, and reduce barriers to capital investment can work alongside the DGRS to strengthen Australia's domestic gas market. A durable policy framework that encourages new supply and investment will help create jobs, support regional economic development, and ensure Australian households and businesses continue to have access to reliable and affordable energy.

Woodside supports the objective of strengthening domestic energy security and affordability and looks forward to continued engagement with Government as the framework is refined. Australia will require substantial new gas supply to support households, major industry, electricity reliability and economic growth over coming decades. The most effective DGRS will be one that both delivers gas to Australian customers and encourages the investment needed to develop future supply. By providing clear, durable and predictable regulatory settings, the framework can support the objectives of the Future Gas Strategy, strengthen Australia's energy security and ensure Australians continue to benefit from the country's world-class gas resources.

Yours sincerely



Breyden Lonnie
Executive Vice President and Chief Operating Officer Australia