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Department of Industry, Science and Resources



Submitted by email: gasmarkets@dcceew.gov.au

Gas Market Review Implementation

The Australian Financial Markets Association (AFMA) is responding to the Department of Industry, Science and Resources' (DISR) consultation on the implementation of the Gas Market Review's recommendations.

AFMA is the leading industry association representing Australia's financial markets - including the capital, credit, derivatives, foreign exchange, and other specialist markets such as gas, carbon, electricity and environmental products. Our membership is comprised of over 140 of Australia's leading financial market participants, including key participants in the east coast gas market.

Key Points

- **The Gas Market Review's recommendations should be implemented in a considered way that minimises disruption to the market**
 - **AFMA is very concerned that the development of the gas reservation scheme is being rushed**
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1. The Review

1.1. The recommendations

AFMA welcomes the Government's decision to implement the Gas Market Review's recommendations. The recommendations have the potential to improve certainty for market participants, reduce costs and facilitate the development of the east coast gas market. A carefully designed implementation process will be critical to ensuring the recommendations achieve their objectives without causing further disruption to the gas market.

The recommendations represent a significant body of work that will take time to implement well, AFMA encourages DISR to work closely with stakeholders on their implementation. This submission makes a number of suggestions about how to implement the recommendations, building on the thoughts we expressed in our submission to the review.¹ As discussed in our earlier submission, we think reforms to remove restrictions on parties transacting should be implemented promptly but that the introduction of a reservation scheme and changes to reporting requirements should be done in a considered way with strong consultation; while reforms to the spot markets should be prioritised according to the needs of the market.

¹ <https://afma.com.au/policy/submissions/2025/r47-25-gas-market-review.pdf?ext=.pdf>

1.2. Industry engagement

AFMA supports considered implementation of the review's core recommendations and was surprised that there was no detailed paper setting out a proposed implementation plan to support this consultation. The only detail, beyond the review's report, provided to stakeholders was presented at a series of confidential roundtables covering the gas reservation scheme and the contracting principles. The information presented at those round tables has not been made public and most of our members did not have access to it until a session on 3 March, meaning the first time they saw this information was 3 business days before submissions were originally due.

While the extension of the due date for submissions has given us a short amount of time to consult our members and present some initial responses to the material, we are concerned the industry engagement conducted since the release of the recommendations portends hasty implementation without thorough engagement with stakeholders. We are concerned that an inadequate and rushed process to design and implement the review's key recommendation will cause unnecessary disruption to the gas market and risk their successful implementation. We think the Government should reconsider their approach to developing the gas reservation scheme to ensure adequate engagement with stakeholders. We offer some suggestion on how this could be done in our submission below, but at the very least, we think the Government should prepare a detailed public policy consultation paper and give stakeholders an appropriate amount of time to respond to it before developing draft legislation. We think it is unlikely this can be done in the proposed timeline and suggest that consulting on draft legislation in 2027 is more plausible.

AFMA Recommendations

- i. The Government should revise its approach to developing the gas reservation scheme to ensure adequate time for formal public consultation with stakeholders.

2. Supply, security and trade

2.1. The review's recommendations

Implementing a gas reservation scheme to replace most of the current obligations of the Australian Domestic Gas Security Mechanism (ADGSM), the Gas Market Code and the Heads of Agreement (HoA) is the most significant element of the proposed reforms. If implemented correctly, a reservation scheme could deliver much needed certainty to the east coast gas market while greatly simplifying compliance arrangements for market participants. As expressed in our responses to the review, one of our members biggest criticisms about the various gas market interventions since 2022 was that the rapid implementation of multiple new, and often unclear, requirements introduced massive uncertainty into the gas market which led to significant delays in investment and contracting decisions. As a result, the gas market largely seized up during 2023 as market participants delayed decision making until the results of ministerial exemption decisions were known, with the unintended consequence of exacerbating known supply issues and limiting users' ability to secure gas. We also understand that the announcement that the new scheme will only respect contracts entered into prior to 22 December 2025 has had a negative impact on the market.

AFMA is therefore very keen that the implementation of the proposed positive reforms does not lead to similar market uncertainty. While our members have many concerns with the current regulatory framework they consider that the ministerial exemptions have brought much needed certainty to the market, we therefore encourage DISR to set out a clear path from the current

exemption framework to the new reservation scheme that preserves the exemptions during the transition.

During this consultation, the departments proposed commencing consultation on draft legislation in mid-2026. We do not think adequate policy work has been done to support this and do not understand the Government's need for such haste as we consider the current arrangements are adequate to allow the market to continue to function and supply gas through the transition to a reservation scheme. Some of the key policy questions we think need to be explored are:

- a) How domestic supply obligations will be calculated
- b) How the obligations will be allocated over the life of the projects to provide certainty to both the domestic market and exporters
- c) How the obligation to supply and the proposed release valve will work
- d) How the selling and contracting principles are intended to apply

Below we provide some thoughts about how this work could be done. Given the limited information available and short timeframe our feedback is focused on areas where we think further policy work is required.

2.2. The roundtables

The slides for the roundtables indicated the Government was seeking feedback on:

- The key elements of a domestic reservation scheme and selling obligations
- A draft regulatory decision framework for a domestic reservation scheme
- The role of the market, including a potential 'release valve' for surplus gas
- Proposed reporting and compliance framework

While we do not think the roundtable process was effective, in this section we give some feedback on what will be required to answer these questions.

2.2.1. Gas reservation

AFMA considers the gas reservation scheme should be designed to give the east coast market long term supply certainty, minimise the compliance burden for market participants and facilitate trade. We think the scheme should be designed to promote gas exploration and development by both domestic and export focused producers; and minimise obligations on domestic market participants so that participants who do not export gas are free to transact with all parties in the market, including exporters.

The very high-level proposal presented at the round table did not provide certainty to either domestic producers or exporters and we think further work is required in the following areas:

- a) **Annual obligations** - AFMA's members have supported a gas reservation scheme on the basis that it would provide long term certainty by setting supply obligations over multi-year periods. The proposal presented at the roundtables envisaged the AER determining obligations annually, with embedded quarterly supply obligations. We consider this approach reduces market certainty compared to the current arrangements. We understand it is driven by a desire from government to be sure that gas is actually available when required and not indefinitely banked, as has been seen under the Western Australian reservation scheme but we think further policy work is required to develop a scheme that balances the Government's desire for supply certainty with the markets need for investment certainty.
- b) **15-25% obligation** – The proposed size of the supply obligation is a source of concern for our members. Domestically focused producers are concerned the east coast gas market cannot

absorb this volume of gas and that forcing exporters to supply it will undermine the economics of new domestic projects and force existing ones to curtail supply, which would exacerbate existing north – south pipeline constraints and make the market more reliant on supply by exporters. Some members have indicated that they have put new projects on hold as a result of this consultation.

We note that a 15-25% obligation for the three Gladstone exporters would result in an ~4-11% increase (above current contracted levels) in supply into an east coast market that AEMO has forecast will not experience structural shortfalls until at least 2029.^{2,3} AFMA is concerned that, particularly at the higher end of these estimates, the east coast market will not be able to absorb these volumes without significant disruption. In bilateral conversations officials have indicated that the Government does not intend the full obligation to apply in the early years of the scheme but we consider public policy work is required to explain how this transition will be managed.

- c) Production obligation** – The roundtable slides assumed that exporters domestic supply obligations will be based on their quantity of production. It is unclear to AFMA why production rather than export volume was chosen as it will:
- i. complicate calculating obligations as you will have to distinguish between JV equity production and third-party purchases and there will be a need for provisions to prevent exporters selling equity gas into the domestic market and subsequently repurchasing it.
 - ii. Result in different treatment of equity and purchased gas, potentially disincentivising exporters from producing their own gas.

By contrast, an obligation based on export volumes would merely require the exporter to demonstrate sales equal to a percentage of their exports. AFMA thinks the Government should explain why production was chosen as the basis for the scheme. The departments presented material at the roundtables on options for the form of compliance reporting, but we feel the discussion about the form of reporting was premature until mechanics of the scheme are better developed.

- d) Role of the AER** – It is unclear what the AER's role is under the scheme. In the materials presented to the roundtables, Commonwealth Ministers are responsible for making the long-term decisions on the amount of gas to be reserved but the AER is responsible for setting annual domestic supply obligations, approving compliance plans and monitoring compliance. It is unclear to us if the AER's role will be purely mechanical, translating a long-term obligation into annual targets, or if the AER will have discretion to determine the volumes that will be reserved in any year. Our members do not think that the AER is a suitable body to perform the latter function and think more policy work is required to determine how this role will operate, particularly given the concerns we express above about annual compliance plans.
- e) Meeting the obligation** – AFMA supports giving exporters flexibility about how they meet their supply obligations, including by purchasing gas for supply through pipelines or transportation to the southern states as LNG. We think greater clarity is required about how the scheme will treat:
- i. LNG produced in Australia that is transported to other locations in Australia for domestic use, rather than exported

² See Q2 2026 supply and demand forecasts [ACCC December 2025 Gas Inquiry](#)

³ [March 2025 GSOO](#)

ii. Spot LNG cargos that are purchased by exporters for delivery into Australia.

- f) **Obligation to sell** – Recommendation 5(a) proposes replacing the current obligation to offer gas to the market with an obligation to sell it. While we appreciate the motivation behind this recommendation of ensuring that gas is actually made available to the east coast market, we think there needs to be careful consideration of how this obligation is implemented. We think it is important to avoid obliging exporters to ensure domestic sales by offering gas at such low prices that they undermine the economics of alternative domestic suppliers, discouraging much needed investment.

Additionally, we think it needs to be clear what the consequences of failing to sell the required volumes of gas are, particularly when the exporter has been unable to sell the required volume, despite making genuine efforts to do so. AFMA also considers that there should be transparency about the volumes of gas that are being offered to the market and the process for offering it, to ensure all participants have equal opportunity to bid to purchase the gas.

- g) **Escape valve** – Our members support the introduction of a mechanism to allow export of additional volumes of gas that are not required domestically but are unclear how the proposed escape valve mechanism is intended to work. Exporters consider that the mechanism needs to be forward looking over a long enough period to allow them to contract to sell the excess gas.

We think development of the escape valve mechanism needs to be considered in conjunction with the multi-year supply obligations and the obligation to sell, to ensure that exporters and the broader market have long term certainty about the volumes of gas available for export and supply to the domestic market.

AFMA Recommendations

- ii. To provide certainty to the market there should be a clear pathway from the current exemption framework to the new reservation scheme that preserves the exemptions during the transition.
- iii. The gas reservation scheme should be designed to minimise compliance obligations.
- iv. A gas reservation scheme should not prevent domestic market participants from transacting with all market participants, including exporters.
- v. AFMA considers that further policy work is required on the following elements of the gas reservation scheme:
 - a) How the supply obligation will balance long term certainty with immediate supply needs
 - b) How the 15-25% supply obligation will be applied to avoid disruption to the domestic market, including avoiding discouraging investment in domestic supply
 - c) Why the supply obligation will be based on production and how the compliance arrangements will work
 - d) What the AER's role will be
 - e) How LNG supplies to Australia will be treated by the scheme
 - f) How the obligation to sell gas will operate, particularly what steps exporters must take to sell gas and the consequences of being unable to
 - g) How the escape valve mechanism will operate

2.2.2. Contracting principles

As discussed in our previous submission, we consider that the Expression of Interest (EOI) framework has been unsuccessful and, rather than assisting gas buyers to acquire gas, has hindered participants' abilities to transact. We therefore support the recommendation to repeal it and replace it with new, more flexible principles.

AFMA considers that the current provisions are having a negative impact on the market and supports replacing the provisions once consensus is reached on the new principles. Seven proposed selling and contracting principles were presented at the roundtable but have not been released publicly. We have had limited opportunity to get feedback on them from our members and think there should be a more formal consultation on the principles that allows adequate time for stakeholders to consider them. Our initial observation is that while most of the principles are reasonable we think they remain a bit too closely tied to the EOI framework. Our view is that the principles should be clear that it is the producer's decision how they choose to market gas including if they wish to use an EOI process or not and should explicitly state that they should not be taken as limiting parties ability to transact bilaterally.

We offer the following comments on the seven principles:

1. **Use of Gas Bulletin Board** – supported for EOIs.
2. **Open Periods** – we support producers determining open periods but require further information about what is intended by making this subject to the Code Administrators Guidance. We think it might be more appropriate to say that offers must be open for a reasonable period and allow the AER to publish non-binding guidelines.
3. **Negotiating timelines** – supported.
4. **Risk allocation** – we support the principle that contracts should reflect appropriate risk allocation but question what effect this will have, given the appropriate allocation of risks between parties is ultimately the purpose of commercial negotiations.
5. **Withdrawal of offers** – We think that it should be clarified that selling the parcel of gas to which the offer relates to another buyer is a material change of circumstances.
6. **EOI response** – supported for EOIs.
7. **Good faith** – supported.

AFMA Recommendations

- vi. The EOI provisions should be replaced once consensus is reached on the new flexible principles.
- vii. The principles should be subject to a formal public consultation that allows adequate time for stakeholder comments.
- viii. The principles should clarify that it is the producer's decision to market gas through an EOI or not.
- ix. The principles should explicitly state that they should not be taken as limiting bilateral contracting.

3. Gas prices

As discussed in our previous submissions, AFMA considers that the reasonable pricing provisions have been ineffective at delivering lower prices to consumers and have had negative impact on

investment and the development of the gas market. Exemptions have mitigated the impact of these provisions, but our members note that even with exemptions in place:

- The small domestic supplier exemption is problematic as it prevents any contracting with the largest east coast participants
- Time limiting of conditional exemptions inhibits producers' ability to contract over the long term or make long-term investment decisions

AFMA supports repealing these provisions as we consider that currently, they are not delivering lower prices to consumers but are restricting market participants' ability to transact. We consider that, with appropriate transitional arrangements to grandfather the requirements of the existing ministerial exemptions, this could be done prior to the introduction of a gas reservation scheme.

AFMA Recommendations

- x. The reasonable pricing provisions should be repealed prior to the introduction of a gas reservation scheme.

4. Market conduct and efficiency

4.1. Prioritisation of spot market reforms

AFMA is a strong supporter of the gas spot markets and has been concerned that the policy interventions of the last three years have distracted attention away from the development of these markets. That said, we consider that the spot markets are unlikely to thrive in the absence of high-level policy certainty about gas supply and pricing. We therefore think that spot market reform should be given lower priority than other reforms proposed by the review as they will be more effective when there is broader policy certainty.

AFMA considers that spot market reform has been most successful when it has been driven by the needs of the market, with the Gas Supply Hub (GSH) standing out as a particularly effective mechanism that has evolved to meet the market's needs. Therefore, while AFMA supports reforms to improve the spot markets, we think changes should be developed in close cooperation with market participants and prioritised in accordance with the needs of the market.

The one change that we think should be prioritised is to amend the exemption in section 52 of the Code to exempt all GSH trades from the provisions of the Code as the current provision has effectively prevented parties from using the GSH for transactions beyond 3 days. Removing this restriction will promote greater participation in the GSH and make it easier to purchase gas for longer periods.

4.2. Proposed reforms

AFMA considers that reforms to the spot markets are not as urgent as many of the Review's other recommendations and should be prioritised based on the needs of the market but provides the following observations about the recommended reforms:

- a) <12 month contracting (Recommendation 9(b)(i)) – While AFMA sees benefits in encouraging the use of the GSH we do not consider that it is suitable for all transactions and are concerned that, if poorly implemented, this proposal could, like the EOI process, make it more difficult for users to purchase gas. While the GSH has the benefit of transparency it cannot be accessed by all participants and does not offer the flexibility of supply conditions that users value in bilateral contracts.

- b) Liquidity and longer tenors (Recommendation 9(b)(ii)) – While AFMA supports increasing liquidity and product innovation we caution that government’s ability to achieve these objectives may be limited as ultimately liquidity and successful product development is driven by the markets willingness to trade the products. We suggest that Recommendation 9(c)(ii) probably offers the best pathway to increasing liquidity and that any new products should be developed in close coordination with market participants to ensure there is market support for any new products.
- c) Virtual hub (Recommendation 9(b)(iii)) – Moving the GSH to a vast east coast virtual hub is a major proposal that would require a huge amount of design work and could cause significant disruption to the east coast gas market. While we do not want to rule it out as a potential future reform, it seems imprudent to attempt to implement it at the same time as the other significant reforms proposed by the Review.
- d) DWGM forward market (Recommendation 9(c)(i)) – The DWGM’s scheduling arrangements make implementing a physical forward market complicated. AFMA thinks consideration is needed of the extent to which GSH delivery points immediately outside the DWGM and DWGM futures contracts could provide a better option for managing forward price risk than physical forward trading. We also note the AEMC rejected a similar proposal in 2019 largely on the basis that the implementation cost would be high and there was no clear need for it as other risk management tools were available.⁴
- e) Market marking (Recommendation 9(c)(ii)) – AFMA supports exploring options for market making in the GSH hub and encourages DISR to also consider opportunities for promoting voluntary market making in the financial market.

4.3. Additional reforms

As discussed above, the gas market intervention has distracted attention from other potential reforms that could improve the functioning of the gas spot markets. We note in particular the proposals to introduce anonymised trading on the GSH and harmonised prudential arrangements across gas markets that were agreed to by energy ministers in August 2022.⁵ These reforms enjoy broad support from market participants, would improve function of the markets and be relatively simple to implement. We therefore encourage DISR to ensure they are considered as part of any package of spot market reform.

AFMA Recommendations

- xi. Section 52 of the Code to exempt all GSH trades from the provisions of the Code.
- xii. Reforms to the spot markets should be developed in close cooperation with market participants and any proposals that proceed should be prioritised in accordance with the needs of the market.
- xiii. The spot market reforms agreed to by energy ministers in 2022 should be considered as part of any package of changes.

5. Market transparency

AFMA supports replacing the current range of overlapping regulatory reporting obligations with a coherent transparency framework that can provide useful information to regulators and other stakeholders in a way that minimises the regulatory burden on data providers. We think the new

⁴ <https://www.aemc.gov.au/rule-changes/dwgm-forward-trading-market>

⁵ <https://www.energy.gov.au/sites/default/files/2022-08/Energy%20Ministers%20Meeting%20Communique%20-%202012%20August%202022.docx>

framework should be developed in a considered way in consultation with the industry to ensure that it achieves the Government's objectives at least cost to the industry and AEMO. Information gathering powers should be developed strategically with appropriate arrangements for sharing information to avoid overlapping information requests from different bodies.

Additionally, while we see potential benefit in developing a domestic east coast gas market forward price index, we think further consultation is required on how this index would be compiled, noting it may be challenging to develop a meaningful price index that can be broadly applied to the east coast market, and who is best placed to administer it.

AFMA Recommendations

- xiv. The transparency framework should be developed in a considered way in consultation with the industry.
- xv. The development of any forward price index should be done in cooperation with stakeholders.

6. Market governance and reporting

AFMA supports the AER being the primary regulator for the physical gas market, including any remaining responsibilities under the Code. The overlap between the ACCC's Gas Inquiry and the AER's functions is inefficient and has increased costs for the industry. We therefore support ending the Gas Inquiry and moving any remaining gas market specific ACCC functions to the AER. We also note that the Department of Climate Change, Energy, the Environment and Water has recently proposed a similar transfer of electricity powers from the ACCC to the AER under the Prohibited Energy Market Misconduct (PEMM) provisions of the *Competition and Consumer Act 2010* and AFMA supports adopting a consistent regulatory governance approach for both gas and electricity.⁶

We note that the AER is gaining experience collecting financial market data in the electricity market and support it taking over the ACCC's current information gathering role under the Gas inquiry. AFMA has engaged extensively with policy makers and the AER about the AER's information gathering powers (see our responses to the PEMM consultation and the AER's wholesale market monitoring consultations⁷) and is keen for a consistent approach to information collection, handling and sharing across the energy market. We repeat the points we made in response to those consultations that any information gathering powers need to be designed to ensure regulators receive the information they need at the lowest practical cost to market participants. We also support sharing of information between market bodies, including particularly the ACCC and AEMO, to avoid duplicative data requests to market participants.

AFMA Recommendations

- xvi. The AER should be the primary regulator of the physical gas market.
- xvii. Information powers should be designed to minimise costs to market participants.

⁶ https://storage.googleapis.com/files-au-climate/climate-au/p/prj396deed8f06b5e96ff8a0/page/Strengthening_the_PEMM_provisions_in_the_Competition_and_Consumer_Act_2010_Consultation_Paper_PDF_1.2MB_.pdf

⁷ See for instance sections 2 and 3 of our response to the AER's Guidelines Consultation - [https://afma.com.au/getattachment/Policy/Submissions/2024/R01-22-AGD-Privacy-Review-Consultation-\(25\)/R26-24-Wholesale-Market-Monitoring-Guidelines.pdf?lang=en-AU&ext=.pdf](https://afma.com.au/getattachment/Policy/Submissions/2024/R01-22-AGD-Privacy-Review-Consultation-(25)/R26-24-Wholesale-Market-Monitoring-Guidelines.pdf?lang=en-AU&ext=.pdf)

xviii. There should be effective arrangements for sharing information between market bodies.

7. Transitional and other matters

AFMA supports the Government developing a plan in coordination with stakeholders for the implementation of the Review's recommendation to provide the market with certainty about how the reforms will be implemented. Then plan should consider the relative priorities of each of the reforms, linkages between them and any transitional arrangements necessary to facilitate a smooth transition to the new framework. Additionally, we think the plan should consider how existing powers under the ADGSM, HoA and the Code will be used during the transition to the new framework.

AFMA Recommendations

- xix. AFMA supports developing an implementation plan for the Review's recommendations.
- xx. The plan should deal with how existing powers under the ADGSM, HoA and the Code will be used during the transition.

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,



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