

Australia must back new gas investment to protect industry and trusted trading partnerships

By Darren Stevenson, Senex Energy Chief Executive Officer

Australia's domestic gas policy should be simple: keep reliable, affordable energy flowing to households and industry while creating the conditions to develop new supply for decades.

The proposed Domestic Gas Reservation Bill risks doing the opposite. It adds intervention to an already strained policy environment, weakening the confidence producers, manufacturers and trading partners need from Australia.

Nobody disputes the importance of domestic energy security. But gas is a long-term business. Projects require billions of dollars of investment and confidence that the rules will support returns over 10, 20 or even 30 years.

The Government says stakeholders want a framework that is "predictable, transparent and supports investment". That is the right test. This scheme falls short.

Under the Bill, LNG exporters may be required to supply gas equivalent to up to 20 per cent of export volumes into the domestic market. The Government expressly intends to create a moderate oversupply to reduce prices.

But price is also a signal. It tells producers whether billions of dollars in new supply can be justified, and whether capital can be recovered over the 10 to 15 years typically needed to underpin a major gas project.

Deliberately suppressing that signal through even a modest oversupply may lower prices briefly, but it changes the investment equation. If market prices no longer reflect cost, risk and the required return on scarce capital, the next project will not proceed — and the capital will go elsewhere.

That will hit the industrial users the policy claims to protect: glass, bricks, plasterboard, fertiliser, food and electricity. They already face higher electricity system costs, compliance burdens and rising carbon costs under net zero policy and the Safeguard Mechanism. Holding gas prices below the level needed to attract investment in new supply may look like relief, but it effectively guarantees less supply, more volatility and higher costs over time.

Senex believes the policy is also designed to prop up the Government's Future Made in Australia agenda before the next federal election. If industry needs relief, gas producers should not be forced to carry the cost through distorted prices and weaker investment signals. Studies have shown that lower gas prices are not going to materially improve the viability of manufacturers. A WoodMac study in July 2026 focused on large industrial gas users in eastern Australia showed that a \$12GJ to \$10GJ reduction in gas prices would on average deliver a 0.4% improvement in profit margin.

A better competitiveness agenda would tackle the policies adding cost and complexity to doing business in Australia; scrap or reset the Safeguard Mechanism and genuinely reform the EPBC Act (as recommended by Samuels et al). The Coalition has sensibly suggested removing the safeguard mechanism in their recently released energy plan – we welcome this.

Governments could also support accelerated depreciation for energy-efficient equipment, targeted investment allowances for high-efficiency boilers, furnaces and cogeneration, faster approvals for plant upgrades, demand-response incentives, and workforce training in automation, digital process control and maintenance. These measures lift output per unit of energy without undermining the gas price signal. These are the sorts of investments that our regional neighbours with globally competitive manufacturing industries have made.

The Bill's "must sell" provisions compound the problem. If an exporter cannot find a domestic buyer, the obligation carries forward.

That creates a stand-off: customers may wait for mandated gas volumes to flood the market and lower prices, while producers will resist selling at prices that lenders, boards and shareholders consider to low to justify investing in the next well, compressor, pipeline or processing facility. Quite simply, if the price is forced below the long run marginal cost of production, plus an acceptable return, no one will invest in more supply. Then there really will be a supply problem, which is ironic because government's own modelling shows there isn't a supply problem in the next five years, and there won't be one if producers aren't discouraged from investing - it's not too late to avoid this perverse outcome.

Significant Ministerial powers also remain, including to vary the supply obligation by market and licence holder. For companies investing over decades, that discretion matters. Good policy should not depend on the judgement of one Minister or licence holder.

The Federal Energy Minister's approach deserves scrutiny. This Bill treats gas less as essential infrastructure to be developed and more as a commodity to be directed, rationed and politically managed. It redistributes existing supply while making the next investment decision harder.

If the Government wants lower prices and stronger energy security, the evidence points to one durable answer: more supply, clearer approvals, lower sovereign risk and stable rules that allow investors to earn a return.

Otherwise, regulation begins to resemble nationalisation by stealth — and, in its treatment of export customers, nationalism by stealth. It is a kind of market socialism that should concern anyone who wants investment, competitive industry, a productive economy and a government that attracts capital rather than frightens it away.

Domestic reservation can work when designed properly. Queensland has shown a better model by releasing gas acreage specifically for the domestic market, increasing supply by encouraging investment in gas that otherwise may never have been developed.

The Crisafulli Queensland Government deserves credit for its clear public support for more gas production, investment certainty and Queensland's role in supplying the east coast market. That practical, pro-supply approach is what Australia needs.

That is fundamentally different from forcing existing supply through a market at prices that may not support the next investment decision over a 10 to 15 year horizon.

Australia should make its domestic gas market one producers want to invest in, not an obligation they minimise while directing capital to more predictable export pathways.

There is a deep perversity in domestic-focused producers like Senex being told by policy architects to prepare to sell gas to export projects instead of the local market our company was set up to support. A policy designed to protect Australian gas users should not push Australian gas producers away from them.

Capital is mobile. Investors weighing Australian gas projects are also considering jurisdictions with clearer approvals, stable fiscal settings and lower sovereign risk. If Australia weakens price signals and expands discretion, capital will flow to countries offering a clearer path to returns.

New supply is built with risk capital, not slogans. When policy turns commercial investment into a political judgement call, the cost of capital rises, projects are delayed or cancelled, and domestic users compete for a smaller pool of future supply.

Export markets also matter. Korea is a major customer for Australian energy and a critical supplier of liquid fuels. In 2025, South Korea imported around 12.5 million tonnes of Australian LNG, up 28 per cent year-on-year. According to the Parliamentary Library, Australia imported 79 per cent of the refined petroleum products it consumed in 2023–24, and in 2025 South Korea supplied around 10.1 million tonnes of refined liquid fuel — 21.2 per cent of Australia's combined crude oil and refined liquid fuel imports. This relationship helps keep Australia's transport, freight, aviation, mining and economy moving.

Why put that at risk? Korea has treated Australia as a trusted energy partner for decades. If we signal that export customers can be subordinated whenever domestic political pressure rises, partners will question whether Australia remains dependable. Our reputation as a reliable supplier has underpinned living standards, foreign investment, national income and regional security. It should not be treated as an afterthought.

The Treasurer has reportedly drawn inspiration from *Abundance*, a book arguing governments should stop letting process, regulation and scarcity politics prevent essential things being built. If that principle means anything, it should apply to gas. Australia does not need another mechanism to ration existing supply. It needs governments to bring abundant new gas to market.

Senex wants secure domestic gas supply at sustainable prices. That requires predictable price signals, transparent processes, tightly constrained discretion and a policy framework that encourages investment rather than punishes it.

Australia will not regulate its way to new gas supply if regulation makes investment less attractive. Nor will it protect industry, export income or trusted partnerships by treating reliable energy as a political problem rather than a national strength.