Exposure draft – Domestic Gas Reservation Scheme legislative package

Senex Submission

Date:	24 September 2026

Senex

About Senex

Senex's first-principles position is that it opposes the introduction of a domestic gas reservation scheme.

The scheme proposed risks weakening the investment conditions needed to develop new gas supply, undermining long-term contracting and reducing confidence in Australia's energy policy settings. If the Government proceeds with the proposed scheme, Senex recommends that the legislation be amended to ensure it supports new supply, provides long-term certainty, protects domestic-focused producers, preserves workable commercial pathways and prioritises prospective, investment-compatible reservation models.

Senex Energy is a Queensland natural gas producer focused on supplying the east coast domestic market. Our Atlas and Roma North operations supply Australian manufacturers, energy retailers and households under long-term contracts.

Our shareholders have invested more than $1 billion to expand Senex's Surat Basin operations, increasing our annual production capacity to approximately 10 percent of east coast demand. This investment was made based on stable, predictable market rules and a long-term price signal sufficient to support the recovery of capital over the life of the investment. Senex's previous Gas Market Review submission recorded that new domestic gas projects commonly require certainty over a minimum 15-year investment horizon.

Senex welcomes the opportunity to comment on the exposure drafts of the Domestic Gas Reservation Bill, the Consequential Amendments Bill and the Domestic Gas Reservation Levy Bill. We support the Government's objective of reliable and affordable gas supply for Australian households and industry. However, Senex remains concerned the proposed scheme and the details made available in the exposure draft bills could weaken the investment conditions needed to deliver the new gas supply on which long-term gas contracts and energy security depends.

Key areas of concern

The scheme must support new supply, not simply redistribute existing gas

Australia's gas challenge is fundamentally a gas development challenge. Substantial resources remain undeveloped, while restrictions, approval delays and policy uncertainty have constrained new supply in several jurisdictions.

The most durable response is to create the conditions in which producers can invest in exploration, development infrastructure and production. Redirecting gas from LNG exporters may increase the volume offered domestically in the short term, but it does not by itself add new gas to the system.

If the resulting intervention displaces domestic-focused production, suppresses forward prices or makes future market settings unpredictable, domestic-focused producers simply won't continue to invest in new supply.

This concern is not theoretical. In 2022 Senex put on hold its $1 billion growth investment when Federal Government market intervention made future market settings unpredictable. More recently, Senex has advised the Government that customers have delayed contracting discussions because they expect mandated volumes to enter the market at reduced prices.

An extended period of uncertainty can therefore affect investment and contracting before a must sell obligation formally commences.

If implemented, the legislation should establish a clear principle that the scheme is to meet an identified domestic supply requirement, not to engineer continuous oversupply or deliver a particular market price. Obligations should be calibrated to a transparent assessment of expected demand and available domestic supply. Regulatory settings should not be used to create an artificial (even modest) surplus that crowds-out domestic focussed producers that have already invested specifically for Australian customers.

Long-term certainty is essential

The exposure draft provides for domestic supply obligations to be adjusted through multiple Ministerial and regulatory mechanisms. Senex recognises the need for the scheme to respond to genuine changes in supply and demand. However, frequent or unpredictable adjustments would undermine the stable forward price signal required for investment and long-term contracting.

The current package contemplates obligations of up to 20 per cent of export volumes, subject to adjustments for matters including existing contracts and infrastructure constraints prior to further and final market demand calibration by the regulator. It also permits the applicable percentage to be varied between zero and 20 per cent for one or more regulated periods.

Senex recommends that:

- the Government publish the demand, supply and security-margin methodology used to determine obligations;
- settings be established for a meaningful multi-year period rather than recalibrated annually;
- changes occur only in defined circumstances and following consultation with relevant parties;
- all decisions/determinations be published and be accompanied by reasons and the underlying market analysis; and
- transitional arrangements protect investments and contracts entered into in reliance on previous settings.

The headline 20 per cent domestic supply obligation must only operate as a ceiling, not as a default target. The applicable obligation should reflect the demonstrated domestic requirement in each market.

Domestic focused producers under this system would be exposed to market manipulation, that may include Ministerial decisions, with little reference to market-based factors other than a political desire to reduce prices. It is particularly disappointing that those companies who invested billions of dollars to increase the supply of domestic gas will be the worst impacted by this retrospective domestic gas reservation policy.

Protect domestic-focused producers and additional gas investment

Senex notes the exposure draft's recognition that gas above an approved production baseline, or otherwise certified as additional gas, may contribute towards an exporter's obligation. Put simply, baseline gas should exclude existing production capacity that is not currently contracted.

The value of the mechanism will depend on the subordinate rules governing production baselines, certification, contracting and attribution. New wells, expansions, debottlenecking projects and other incremental investments should be capable of receiving timely and durable additional-gas certification.

Certification should be available before capital is committed. A producer cannot prudently make a major investment and wait until production commences to learn whether the gas will qualify.

Once granted, certification should remain effective for at least 15 years or a period consistent with the investment and associated contracts.

The additional-gas mechanism should reward genuine incremental production and direct domestic supply, rather than make LNG exporters the principal intermediaries in the east coast market. This unintended outcome was a central concern in Senex's June submission. As it stands, we continue to believe that this Bill will deter, not encourage, sufficient investment for Australia's to enjoy reliable and affordable gas supply.

Preserve workable commercial and export pathways

Where gas has been genuinely offered to Australian customers on reasonable commercial terms but is not required and cannot be absorbed by the domestic market, there should be an automatic and timely pathway for that gas to be exported or otherwise commercialised.

A producer should not be required to accept uneconomic terms, leave gas unproduced or obtain a high-threshold discretionary approval simply because of a regulated attempt at achieving market oversupply at a particular time.

A clear mechanism that releases excess volumes from a physically impossible DSO obligation would reduce waste, support continued production and ensure Australia remains a reliable energy supplier to regional trading partners.

The mechanism should include transparent offer requirements, defined decision periods and appropriate banking or crediting of eligible volumes. It should operate through objective rules rather than case-by-case Ministerial negotiation.

A proven prospective model

Senex again encourages the Commonwealth to examine Queensland's Australian Market Supply Condition reservation scheme. Under that model, a domestic supply condition is attached prospectively to gas produced from identified acreage before investment occurs. Producers understand the obligation when they bid for and develop the acreage, while customers gain confidence that resulting production will be directed to Australia.

Senex has demonstrated that this approach can support significant private investment and substantial new domestic supply. It is simpler and more investment-compatible than changing the market treatment of gas after capital has been committed. Senex recommends that the Commonwealth abandon the proposed retrospective approach to reservation and work with states and territories to expand prospective domestically conditioned acreage releases as a principal supply measure.

Conclusion and recommendations

Senex welcomes the proposed removal of the Gas Market Code's reasonable-price framework and restoration of greater scope for bilateral commercial negotiation. However, replacing direct price regulation with an obligation deliberately calibrated to create oversupply may reproduce many of the same investment problems through a different mechanism.

If Government chooses to proceed with the draft legislation, it should:

1. remove intentional or continuing market oversupply as a policy objective;
2. not force licence holders to sell gas at prices that injure Australia's domestic gas sector
3. calibrate obligations transparently to the demonstrated supply requirement;

4. establish stable, multi-year settings with tightly defined adjustment powers;
5. provide prospective and durable treatment for genuine additional gas;
6. protect domestic-focused producers from being crowded out by mandated supply;
7. create an automatic release pathway where domestic customers cannot absorb gas offered on reasonable terms; and
8. prioritise new supply through prospective acreage-based measures modelled on Queensland’s approach.

A successful framework should increase the quantity of gas developed in Australia, support long-term domestic contracting and preserve confidence in Australia as a destination for energy investment.

Senex is ready to continue working with the Government to achieve those outcomes.

Senex

Delivering essential energy for life.

Registered Office
Level 13, 70 Eagle St
Brisbane Qld 4000

Postal Address
GPO Box 2233,
Brisbane Qld 4001

Phone: +61 7 3335 9000
Facsimile: +61 7 3335 9999
Web: senexenergy.com.au

Senex Energy Pty Ltd
ABN 50 008 942 827