APA

Australia's energy infrastructure partner

Domestic Gas Reservation Scheme Draft Design Framework

APA Submission

30 June 2026



APA Group
APA Group Limited
ACN 091 344 704
Level 10, 121 Castlereagh Street, Sydney NSW 2000
PO Box R41, Royal Exchange NSW 1225

P:+61 2 9693 0000
F:+61 2 9693 0093
apa.com.au

Mr Matthew Brine
Deputy Secretary
Department of Climate Change, Environment, Energy and Water

Mr Robert Jeremenko
Deputy Secretary
Department of Industry, Science and Resources

30 June 2026

RE: APA Submission to the Commonwealth Government's Domestic Gas Reservation Draft Design Framework

Dear Mr Brine and Mr Jeremenko,

Thank you for the opportunity to comment on the Commonwealth Government's Domestic Gas Reservation Design Framework (Domestic Reservation Framework, or Framework).

APA is an ASX listed owner, operator, and developer of energy infrastructure assets across Australia. Through a diverse portfolio of assets, we provide energy to customers in every state and territory. As one of Australia's leading energy infrastructure companies, we are keenly interested in policy processes that impact domestic gas supply.

APA has been a strong advocate for domestic gas reservation. A well-designed Framework can strengthen Australia's long-term energy independence. However, the Framework needs to strike a balance between affordability for users and ensuring the market is structured in a way that encourages the required investment in gas supply and infrastructure – it is a delicate balance. For APA, a 'well-designed' Framework means:

1. **Supporting long-term contracting** – the prevalence of short-term contracting in the east coast gas market reflects tightening domestic supply, declining production from traditional basins and ongoing regulatory uncertainty. While APA has been investing to expand the East Coast Gas Grid 'on risk', an effective Framework will bring long-term contracts back into the market, unlocking investment in new sources of supply and the associated infrastructure to deliver gas to market. Long-term contracting is also needed for large-scale industrial decarbonisation and investments in gas-powered generation (GPG) to accelerate the retirement of coal-fired generation.
2. **Reasonable prices** – gas prices must be reasonable to support domestic industry and consumers, while delivering a strong LNG export market over the long-term. Production from the lowest cost-to-develop basins/fields should be available for domestic buyers under the Framework, delinking domestic and international prices and reducing domestic price volatility. However, a reasonable price should not be considered as being below the cost of production.
3. **Policy certainty for the market** – gas producers, users, retailers and infrastructure providers have been operating in a market with significant uncertainty created by various forms of government intervention over the last 10 years. Policy and regulatory certainty, rather than ongoing and frequent approval processes, will create the long-term signals needed to support investment.

APA
Australia's energy infrastructure partner

APA Group
APA Group Limited
ACN 091 344 704
Level 10, 121 Castlereagh Street, Sydney NSW 2000
PO Box R41, Royal Exchange NSW 1225

P:+61 2 9693 0000
F:+61 2 9693 0093
apa.com.au

4. **Additionality** – an effective Domestic Reservation Framework will support the development of new supply that can meet the requirements of the domestic market and supply our regional partners. Frontier opportunities in the Beetaloo Basin and Taroom Trough have the potential to deliver long-term, affordable gas for domestic and export markets.

The West Australian (WA) domestic reservation policy has demonstrated that a balance can be struck. WA prices are reasonable, investments in new long-term infrastructure have been made, and new basins have been developed and supplied to both domestic and export markets. While the east coast market has a range of key differences such as development production costs and resource types, a different industry mix and different downstream policies (e.g. lack of a capacity mechanism for GPG), these should be considered informative to the reasonable outcomes achievable by the Framework rather than constraints on its development.

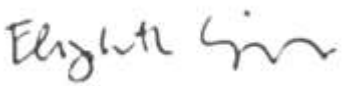
Various elements of the draft Framework could undermine the objective of drawing long-term contracts back into the market. Our submission below contains recommendations on how the Framework could be enhanced to better support long-term contracting. This will lead to a much more stable and well-functioning market that requires less intervention in the long-run. In summary, our recommendations are:

- the proposed Domestic Supply Obligation (DSO) should remain stable and only be reviewed in exceptional circumstances
- the draft Framework should move from regular approvals or variations to approval periods of at least five years
- regulated entities should be required to demonstrate, as part of their export applications, how they will acquit their DSO through long and short bilateral contracting
- any varied DSO on the basis of an infrastructure constraint should only extend for the period of time needed to resolve the constraint
- reforms are needed to restore balance to the national gas framework that applies to gas infrastructure providers

Gas infrastructure providers, including APA, have broadly signalled their willingness to invest. A more balanced regulatory framework, coupled with a return to long-term contracting, are the key enablers required to see that investment come to fruition.

We look forward to continuing our engagement with the Commonwealth Government about these important reforms. If you have any questions about our submission, please contact John Skinner on 0435 898 022 or john.skinner2@apa.com.au.

Regards,



Beth Griggs
Group Executive, Legal, Governance and Regulatory

APA Group
APA Group Limited
ACN 091 344 704
Level 10, 121 Castlereagh Street, Sydney NSW 2000
PO Box R41, Royal Exchange NSW 1225

P:+61 2 9693 0000
F:+61 2 9693 0093
apa.com.au

1. Submission

Key Recommendations

Our submission makes five key recommendations. These are elaborated upon in our submission below:

- Stability in the DSO will encourage new supply and support investment across the supply chain. APA recommends the introduction of narrow and targeted criteria that specifies the initiation of a review in exceptional circumstances and with consideration of longer time horizons (e.g. five years). (See Section 1.5)
- The market needs policy and regulatory certainty, rather than ongoing and frequent approval processes that create an administrative burden and increase uncertainty for investors. We recommend that the draft Framework move from regular approvals or variations to approval processes with longer timeframes. Approvals should be for periods of at least five years, with the potential for longer periods. (See Section 1.6)
- The proposed liquidity obligation, mandating a certain percentage of gas to be sold in short- term markets, will undermine the Framework's objectives. To ensure that the Framework achieves its aims, regulated entities should be required to demonstrate, as part of their export applications, how they will acquit their DSO through long and short bilateral contracting. (See Section 1.7)
- For existing gas producing fields, infrastructure and pipelines, it is not clear why the proposed DSO approval process requires the flexibility to recognise infrastructure constraints. Producers should be working with infrastructure providers now to resolve any identified constraints. We recommend that Ministers, should only agree to a varied DSO if the actions undertaken by the regulated entity are reasonable. Any varied DSO should not be 'at large' and should only extend for the time required to resolve constraints. (See Section 1.8)
- Reforms are needed to restore balance to the national gas framework that applies to gas infrastructure providers. We recommend that Energy Ministers:
    - reintroduce 'checks and balances' on decisions to subject pipelines to heavy regulation, and a narrow but meaningful appeal mechanism for key decisions under the framework.
    - progress reform of the Day Ahead Auction and greenfield incentive provisions to improve the investment environment for long term infrastructure. (See Section 1.9).

1.1. APA as a partner of choice in Australia's energy transition

APA is a leading ASX listed energy infrastructure business. Consistent with our purpose of securing Australia's energy future, our diverse portfolio of energy infrastructure delivers energy to customers in every Australian state and territory. For decades we have owned, operated, and maintained some of Australia's most important energy infrastructure.

APA Group
APA Group Limited
ACN 091 344 704
Level 10, 121 Castlereagh Street, Sydney NSW 2000
PO Box R41, Royal Exchange NSW 1225

P:+61 2 9693 0000
F:+61 2 9693 0093
apa.com.au

Figure 1: APA's portfolio



Our 15,000 kilometres of gas transmission pipelines connect sources of supply and markets across mainland Australia. We also own or have interests in gas storage facilities and gas-powered generation (GPG).

We operate and have interests in 773 MW of renewable generation and battery storage infrastructure, while our high voltage electricity transmission assets connect Victoria with South Australia, New South Wales with Queensland, and Tasmania with Victoria.

APA actively supports the transition to a lower carbon future. In August 2025, we published our 2025 Climate Transition Plan. The refreshed plan outlines our commitments to support Australia's energy transition and pathway to net zero operational (scope 1 and scope 2) emissions by 2050.

With our extensive portfolio of assets and expertise across gas, electricity and renewables, APA is well-placed to support the energy transition towards net zero.

1.2. Bringing more gas supplies online is essential if the proposed Domestic Reservation Framework is to achieve its aims

The Australian Energy Market Operator (AEMO) continues to flag the risk of gas shortfalls this decade.[1] Given the decline of legacy gas fields, particularly in southern markets, the development of new gas fields is essential if domestic users are to avoid potential gas shortfalls and the Domestic Reservation Framework is to achieve its aims.

Governments should be cognisant that they have a role in this process. Expediting regulatory approvals will ensure that frontier basins can be established and connected to the interconnected gas grid as soon as possible. Governments should work closely with industry partners to enable this to happen.

As outlined in section 1.3 below, stable regulatory settings are needed to support the investment in long term infrastructure that will bring new gas supplies to market. A well-designed Domestic Reservation Framework, that supports long-term supply contracts and establishes long term investment signals, can help achieve this.

[1] AEMO, *Gas Statement of Opportunities,* March 2026, p3

APA
Australia's energy infrastructure partner

APA Group
APA Group Limited
ACN 091 344 704
Level 10, 121 Castlereagh Street, Sydney NSW 2000
PO Box R41, Royal Exchange NSW 1225

P:+61 2 9693 0000
F:+61 2 9693 0093
apa.com.au

1.3. Regulatory stability is needed to support the long-term contracting that underpins a well-functioning gas market

The Domestic Reservation Framework aims to draw long-term, domestically priced contracts back into the market.[2] We support this objective. A Framework that facilitates long-term, domestically priced contracts will lead to a much more stable and well-functioning market that requires less intervention in the long-term. Without long-term contracting, the Domestic Reservation Framework will struggle to deliver its intended outcomes.

Investments in gas exploration, production and transportation infrastructure are substantial and long-term in nature. Given the magnitude and risk of investment required, the gas supply chain dynamic is such that producers need long-term offtakes with buyers to underpin new developments. Similarly, infrastructure providers need long-term arrangements to underwrite new infrastructure capacity to process, compress and transport gas to market. Long-term gas supply at reasonable prices is also needed by industry seeking to decarbonise and for new GPG that is forecast to be critical in the energy transition.

FID on new or expanded gas developments and infrastructure capacity will not proceed without confidence that the policy and regulatory environment has stabilised, is facilitative, and that long-term gas supply is available.

The ACCC's recent Gas Inquiry reports have confirmed that average term lengths under long-term Gas Supply Agreements (GSAs) have decreased since 2019. The March 2026 Interim Report confirmed that the majority of GSAs agreed by producers and retailers in the second half of 2025 had a term length of exactly one year.[3]

Short-term contracting does not provide the certainty needed to underpin investment in long-term assets. The short-term contracting arrangements described by the ACCC are the result of market and regulatory uncertainty where neither gas sellers nor gas buyers have the confidence in longer-term market settings to commit to term. Addressing this problem must be a key focus of the Domestic Reservation Framework.

As outlined in our submission below, various features of the draft Framework could undermine confidence, and thereby incentives, for long-term contracting, including the regulatory uncertainty that would arise from ongoing approvals and variations under the draft Framework. Our submission below contains recommendations on how the Framework could be enhanced to better support long-term contracting.

1.4. The incremental expansion of existing infrastructure continues to be the most efficient solution to ensure gas gets to where it is needed

Private sector investment continues to underpin Australia's gas market. Gas producers and infrastructure operators, such as APA, have a strong track record of delivering the necessary infrastructure to ensure customers have sufficient gas in the locations they need it.

---

[2] Commonwealth Government, *Domestic Gas Reservation Draft Design Framework,* May 2026, p4 and p19
[3] ACCC, *Gas Inquiry 2017-2030,* March 2026, p21

APA
Australia's energy infrastructure partner

APA Group
APA Group Limited
ACN 091 344 704
Level 10, 121 Castlereagh Street, Sydney NSW 2000
PO Box R41, Royal Exchange NSW 1225

P:+61 2 9693 0000
F:+61 2 9693 0093
apa.com.au

An advantage of gas pipeline infrastructure is that it can be readily expanded via compression and looping, with the use of existing easements and other supporting pipeline infrastructure. This is generally more cost effective than building a new pipeline and has far less delivery and investment risk.

This also means that the incremental expansion of the ECGG and Victorian Transmission System is the most efficient solution to transport more gas from supply sources to domestic demand.

Under a contract carriage model, short and long-term contracts support the operation of the market and the efficient expansion of transmission pipelines and other infrastructure when needed. FID on major new or expanded gas developments is very challenging to achieve without confidence that the policy and regulatory environment has stabilised.

The announcement of a long-term domestic reservation scheme in December 2025, intended to rationalise various short-term mechanisms, has helped improve investment signals for long term gas infrastructure. In February 2026, APA announced progression of Stage 3 of our ECGG Expansion Plan, which is expected to add approximately 30% additional transport capacity. The first phase of this expansion, Stage 3A, to be delivered by winter 2028, was central in the deferral of AEMO's forecast shortfalls to beyond 2028.

The Stage 3 expansion includes:

- FID on Stage 3A (ECGG 3A), with investment of $260 million to increase north to south capacity, supplying essential Australian gas to southern markets for winter 2028; and
- $220 million investment for Stage 3B (ECGG 3B) to enable continued early works and procurement of long lead items for the Bulloo Interlink, including purchase of 342km of line pipe and further pre-FID works to deliver additional capacity beyond winter 2028.

FID on the Bulloo Interlink will be subject to certain considerations, including policy settings, progress with the Federal Government's Gas Market Review and final Board approval.[4]

When Stage 3 is completed, APA will have increased ECGG capacity by more than 50% capacity over five years, having already increased capacity by approximately 25% via Stages 1 and 2.[5]

The staged ECGG expansion plan is designed to minimise costs for customers by anticipating demand with a fit for purpose and responsive solution. The success of this approach is evidenced by strong contracting for earlier pipeline expansions already delivered.

APA has also proposed the expansion of the South West Pipeline in Victoria which will further reduce shortfalls from winter 2029. The proposal is currently being assessed by the Australian Energy Regulator under the National Gas Rules.

[4] APA to deliver pipeline capacity needed to solve projected east coast gas shortfalls, 19 February 2026
[5] APA announced stages 1 and 2 of the ECGG expansion in May 2021, and these two compression projects were completed in mid 2023 and mid 2024 respectively. Stage 3A has reached FID, Stage 3B remains subject to final board approval.

APA
Australia's energy infrastructure partner

APA Group
APA Group Limited
ACN 091 344 704
Level 10, 121 Castlereagh Street, Sydney NSW 2000
PO Box R41, Royal Exchange NSW 1225

P:+61 2 9693 0000
F:+61 2 9693 0093
apa.com.au

In addition to APA's ECGG and Victorian expansion plans, there is a strong pipeline of gas production, transportation and storage projects across the east coast and the Northern Territory. Many of these are expansions of existing facilities, while others are greenfield projects. A well-designed Framework and a return to long-term contracting will help support this pipeline of projects reaching FID.

1.5. We support a well-designed Domestic Reservation Framework that delivers a reasonable domestic price

APA has been advocating for a prospective domestic reservation scheme since 2022. As evidenced by our ECGG expansion plans, the announcement of a Domestic Reservation Framework has helped improve the investment environment for long-term infrastructure.

We support the draft Framework's proposal to establish a domestic supply obligation (DSO) for the regulated entities. A well-designed DSO should:

- ensure gas is contracted for supply by Australian gas producers to the domestic market, providing a reasonable domestic price that insulates Australian users from high global prices and volatility;
- prioritise additionality by supporting the development of new supply through enabling supply marketing to either domestic or export-based markets provided the DSO is met; and
- respect existing LNG export contracts, promoting sovereign stability with Australia's key trading partners, in turn maintaining incentives for investment in new supply.

These design elements remain uncertain under the draft Framework, which provides various mechanisms for the proposed DSO to be varied, whether by a producer application or a mechanism which permits Ministers to review the reservation percentage.[6]

Western Australia has applied a constant 15% reservation percentage since the WA reservation policy was first introduced in 2006. Despite various reviews of the policy over the past 20 years, the 15% commitment has remained unchanged.[7]

The potential for regular amendments to the DSO, even if conducted through a transparent consultation process, creates uncertainty. The mere option of a review, or the initiation of a review, will lead to delayed contracting, short-term contracting, or even a suspension of gas supply contracting if a review is conducted.

Recommendation

Stability in the DSO will encourage new supply and support investment across the supply chain. To refine the application of Ministerial approval, APA recommends the introduction of narrow and targeted criteria that specifies the initiation of a review in exceptional circumstances and with consideration of longer time horizons (e.g. five years).

[6] Commonwealth Government, *Domestic Gas Reservation Draft Design Framework,* May 2026, pp5-6
[7] Western Australia Government, WA Domestic Gas Policy: Development and application, accessed 23 June 2026

APA
Australia's energy infrastructure partner

APA Group
APA Group Limited
ACN 091 344 704
Level 10, 121 Castlereagh Street, Sydney NSW 2000
PO Box R41, Royal Exchange NSW 1225

P:+61 2 9693 0000
F:+61 2 9693 0093
apa.com.au

In our view, Ministers should only review the DSO if the market is materially oversupplied and has not responded with increased demand or storage to absorb the oversupply. This approach would provide the necessary flexibility to encourage the development of new export capacity, which should be capable of being developed to support regional gas demand and decarbonisation.

1.6. Policy certainty will support long term investment and a well-functioning market

The ACCC's September 2025 Gas Inquiry Report (September Report) contains an overview of the effectiveness of current regulatory arrangements that apply to gas markets, with a focus on the Gas Market Code, Heads of Agreement (HoA) and Australian Domestic Gas Security Mechanism (ADGSM).[8]

The September Report found that these regulatory arrangements:

- have not improved market outcomes;
- appear to have unintentionally increased the risk of domestic shortfalls;
- have unintentionally affected the willingness of producers to enter long term gas supply agreements;
- appear to be unintentionally impeding timely and effective negotiations between gas buyers and producers; and
- have resulted in higher compliance and administrative costs for producers.

The constant theme in these findings is that regulatory intervention in gas markets, extending as far as mandating how gas buyers and sellers are to negotiate, impedes the efficient operation of the market and has unintended consequences.

The Domestic Reservation Framework provides the necessary impetus to reduce the level of government intervention that has been the feature of east coast gas markets over the past decade. The draft Framework is, however, characterised by frequent Ministerial and Regulatory intervention including:

- Upfront applications for export approval;
- Approval of variations to annual DSO;
- Approval for the 'release' of DSO volumes that cannot be purchased by the domestic market;
- Approval to acquit a DSO through arrangements with other producers, subject to an additionality test; and
- Determination by the AER of a maximum amount of gas that can be made available through short term markets.

While we recognise the need for some level of Ministerial and/or regulatory oversight to monitor the effectiveness of any Framework ultimately implemented, continued intervention in gas markets creates significant uncertainty and undermines the long-term signals needed to support investment in gas infrastructure. The market needs regulatory and policy

[8] ACCC, *Gas Inquiry 2017-2030,* September 2025, pp25-26

APA
Australia's energy infrastructure partner

APA Group
APA Group Limited
ACN 091 344 704
Level 10, 121 Castlereagh Street, Sydney NSW 2000
PO Box R41, Royal Exchange NSW 1225

P:+61 2 9693 0000
F:+61 2 9693 0093
apa.com.au

certainty, not annual approval processes that create an administrative burden and uncertainty for investors.

Recommendation

We recommend that the draft Framework move from regular approvals or variations to approval processes with longer timeframes. Approvals should be for periods of at least five years, with the potential for longer periods.

Ministerial and regulatory oversight will continue to be maintained through the producers' compliance plans to the regulator. Through review of the compliance plans, the regulator and energy ministers would have confidence that the producers are meeting their obligations as set out in the export approvals. Consideration should also be given as to whether a compliance plan can be submitted for a longer period if the producer demonstrates their DSO obligations have been acquitted over, for example, a five-year period.

Transparency can be provided for all stakeholders through the producers' compliance plans being published on the regulator's website.

1.7. Proposed liquidity obligations could undermine the Framework's objectives

The draft Framework proposes that regulated entities will be required to make uncontracted DSO volumes available to the domestic market, under a proposed 'minimum liquidity requirement', to support the short-term spot markets.[9] APA has serious reservations about this aspect of the Framework.

There is some uncertainty as to the extent of this this obligation. Page 20 of the draft Framework suggests that volumes must be withheld from long-term markets to offer short-term liquidity. However, page 17 of the draft Framework suggests that this liquidity obligation only applies to volumes that are unable to be contracted under long-term arrangements.

The proposed liquidity obligation, mandating a certain percentage of gas to be sold in short-term markets, could undermine the Framework's objectives in two ways:

- Long-term gas supply agreements and gas transportation agreements are essential to support the operation of the market and the efficient expansion of transmission pipelines and other infrastructure. Promoting short-term or trading markets, at the expensive of long-term contracting, creates a buyer-side incentive to not contract with producers to ultimately force producers to supply on the spot-market.
- Higher levels of gas trading may undermine the role of gas retailers, acting as a disincentive for retailers to enter into long-term contracts with producers and infrastructure providers to build their own gas portfolio. Without the right investment incentives for both infrastructure and supply, there is an increased overall system risk. This was evident in 2022 when there was an over-reliance on gas short-term trading markets.

[9] Commonwealth Government, *Domestic Gas Reservation Draft Design Framework,* May 2026, p7

APA
Australia's energy infrastructure partner

APA Group
APA Group Limited
ACN 091 344 704
Level 10, 121 Castlereagh Street, Sydney NSW 2000
PO Box R41, Royal Exchange NSW 1225

P:+61 2 9693 0000
F:+61 2 9693 0093
apa.com.au

APA supports the continued operation of short-term markets as an essential release mechanism for gas producers and buyers alike where they have surplus or unpredictable gas, whether due to maintenance or seasonally low demand. This resolution of short-term market imbalances should remain the primary function of spot markets.

To encourage long-term contracting, APA considers there is merit in introducing a volume multiplier or adjustment mechanism in the DSO. A high-level multiplier concept could operate as follows:

- A DSO exporter enters into a gas supply agreement (GSA) with a Domestic buyer;
- The GSA term is at least 5 years;
- The volume of gas committed under the GSA would contribute to the exporter's DSO commitment at an agreed multiplier, for example a 1.2x multiplier. By way of example, a 10PJ p.a. supply commitment over the 5-year term would be deemed to acquit 12PJ p.a. towards the producer's DSO percentage over that same 5-year term.

In effect, a gas producer taking advantage of this multiplier concept would reduce their 20% DSO obligation to an alternate percentage without Ministerial intervention provided the supply is provided over a long-term horizon such as 5 years.

This concept minimises the potential reliance on the 'release valve' and provides a clear investment signal for the introduction of new supply and associated infrastructure. It rewards exporters willing to commit their domestic volumes, providing them with policy certainty to then contract export volumes into the future.

Importantly, it also supports gas users that favour the certainty of supply, who desire reduced administrative complexity, and who wish to make downstream investments that can be unlocked by the certainty of supply at a reasonable price.

Recommendation

To ensure that the Framework achieves its aims, regulated entities should be required to demonstrate, as part of their export applications, how they will acquit their DSO obligations through long and short bilateral contracting.

Additionally, we recommend that:

- Flexibility arrangements in-built to long-term supply contracts should be acknowledged and considered 'supply' for the purpose of acquitting a DSO. In particular, supply contracted but not necessarily nominated by the buyer on a day or period should still constitute 'supplied' gas.
- The accrual and release valve provide a good mechanism for incentivising long-term investment. Both should allow smoothing across years, with producers' annual compliance plans reporting year-to-year on the balance on whether any gas is accrued or 'released'. Service providers should be able to access the accrual and 'release valve' mechanisms without Ministerial approval.
- Ministers should consider the introduction of a 'multiplier' to support long-term contracting, as outlined above.

APA
Australia's energy infrastructure partner

APA Group
APA Group Limited
ACN 091 344 704
Level 10, 121 Castlereagh Street, Sydney NSW 2000
PO Box R41, Royal Exchange NSW 1225

P:+61 2 9693 0000
F:+61 2 9693 0093
apa.com.au

- Ministers should reconsider the need for an additional AEMO facilitated auction. There are facilitated short-term markets in every region of the east coast gas market. Additional markets should only be introduced to address clearly established gaps, which should only be assessed once the Framework has been operating for an extended period of time.

1.8. Resolving infrastructure constraints

The draft Framework proposes that regulated entities will be able to vary their approved DSO if they are able to prove that they are unable to physically supply gas due to infrastructure constraints.

For existing gas producing fields, infrastructure and pipelines, it is not clear why the proposed DSO approval process requires the flexibility to recognise infrastructure constraints. Producers should be working with infrastructure providers *now* to resolve any identified constraints. New transportation and storage projects are already proceeding towards FID and could be supported by producers to resolve any forecast constraints.

In our experience, producers do talk to infrastructure providers about resolving existing constraints. Short-term contracting and policy uncertainty has prevented projects from reaching FID. Adding a mechanism through which regulated entities could vary their DSO for existing constraints could change existing behaviour and unintentionally undermine the Framework's objectives.

Supplying gas from frontier basins, however, could genuinely be hindered through a lack of infrastructure to get gas to market. In these situations, where pipeline infrastructure does not yet exist, producers should be able to identify constraints.

Recommendation

If the Framework is to include the ability for producers to vary their DSO due to infrastructure constraints, regulated entities should be required to provide evidence of:

- engagement with service providers to resolve any constraints;
- other activities that they are undertaking to bring gas to market.

Ministers, on the advice of the regulator, should only agree to a varied DSO if the actions undertaken by the regulated entity are reasonable. Furthermore, any varied DSO should not be 'at large' and should only extend for the time required to resolve constraints through the construction of any required infrastructure.

As APA has previously submitted, reforms to the regulatory framework that applies to gas pipelines are required to improve investment certainty. These reforms are outlined in section 1.9 below.

1.9. Further reforms to the national gas regulatory framework are needed

Despite the positive announcement of a Domestic Reservation Framework, features of the regulatory framework continue to undermine investment confidence. The March 2023 gas pipeline reforms, in particular, have created significant investment uncertainty for gas infrastructure providers and have delayed investment.

APA
Australia's energy infrastructure partner

APA Group
APA Group Limited
ACN 091 344 704
Level 10, 121 Castlereagh Street, Sydney NSW 2000
PO Box R41, Royal Exchange NSW 1225

P:+61 2 9693 0000
F:+61 2 9693 0093
apa.com.au

We consider that reforms are needed to restore balance to the national gas framework that applies to gas infrastructure providers.

The Gas Market Review Final Report (Final Report), published in December 2025, recognised the regulatory uncertainty in the current market and the impact it has on new projects. The Final Report recommended that work is undertaken to assess the merits of:

- extending the greenfield incentive to brownfield investments to incentivise development;
- providing exemptions to the Day Ahead Auction for greenfield and brownfield projects to incentivise foundation contracting.[10]

We support both of these proposed reforms. Implicit in the recommendations is an acknowledgement that the regulatory arrangements that would apply to brownfield and greenfield investments are not fit for purpose. We also agree that reform of the Day Ahead Auction is needed.

However, these are not the only areas of the gas pipeline regulatory framework that need to be addressed to support the investment required in the east coast gas market.

The March 2023 gas pipeline reforms provided the regulator with significant new responsibilities and power, including:

- deciding whether to conduct a form of regulation assessment;
- conducting a form of regulation assessment;
- making the decision on whether a pipeline should be lightly regulated or fully regulated.

These new arrangements have created significant investment uncertainty. This is because the regulator can choose to impose heavy regulation on a gas pipeline after market, development and construction risk has been assumed by investors, with a view to capping any perceived upside returns.

This risk will be particularly acute where the regulator seeks to regulate infrastructure that has not yet realised or has only just realised returns on its investment after periods of low demand or poor performance.

The case study below highlights the uncertainty caused by the new arrangements when the Australian Energy Regulator initiated a form of regulation review on the South-West Queensland Pipeline (SWQP).

[10] Commonwealth Government, *Gas Market Review,* p.9

APA
Australia's energy infrastructure partner

APA Group
APA Group Limited
ACN 091 344 704
Level 10, 121 Castlereagh Street, Sydney NSW 2000
PO Box R41, Royal Exchange NSW 1225

P:+61 2 9693 0000
F:+61 2 9693 0093
apa.com.au

Case Study: AER Form of Regulation Review of the South-West Queensland Pipeline (SWQP)

In February 2024, the AER commenced a form of regulation review into the SWQP. As part of this process, the AER considered whether the SWQP should move from being a lightly regulated pipeline to being a 'heavy' or 'full' regulation pipeline, with reference prices set by the AER every five years.

In the months following the AER commencing a form of regulation review on the SWQP, APA paused a Final Investment Decision on its originally planned Stage 3 expansion, due in part to the negative impacts that the review could have on the economic case of the expansion.

In December 2024, APA welcomed the AER's final decision to maintain the existing light regulation regime currently in place on the SWQP. Importantly, the AER's final decision recognised that a move to heavy regulation could delay much needed investment in the east coast gas market, due to uncertainty created by the regulatory process.

Following the outcome of the form of regulation review, APA has been able to progress expansion plans for the ECGG. However, our concerns remain in respect of the continued threat these powers present to the 'risk and reward' assessment of future investments, which includes uncertainty over the behaviour of regulators once investment is made.

Since publication of the Gas Market Review Final Report, APA has been considering the proposals to extend greenfield protections to brownfield investments and introduce exemptions to the Day Ahead Auction.

We are of the view that amendments to the Day Ahead Auction are required to better support long-term contracting and improve investment signals. We will continue to engage with the Commonwealth Government to discuss the detail of our proposed amendments.

Recommendation

Reforms are needed to restore balance to the national gas framework that applies to gas infrastructure providers. We recommend that Energy Ministers:

- reintroduce 'checks and balances' on decisions to subject pipelines to heavy regulation, and a narrow but meaningful appeal mechanism for key decisions under the framework.
- progress reform of the Day Ahead Auction and greenfield incentive provisions to improve the investment environment for long term infrastructure.