



# Domestic Gas Reservation Scheme - draft design framework

*Submission by DomGas Alliance*

30 June 2026



## DomGas Alliance

The DomGas Alliance is a member-driven industry body representing large gas users in Western Australia, with members including Alcoa of Australia, Coogee, Wesfarmers Chemicals, Energy and Fertilisers, Yara Pilbara, Tronox and Cockburn Cement.

Formed in 2006 in response to a serious shortage of gas supply for new developments in Western Australia, DomGas Alliance seeks to ensure a reliable, affordable, and diverse supply of natural gas for industry in Western Australia.

Unlike the eastern Australian market, Western Australia's domestic gas market is dominated by industry using it for feedstock in mining and minerals processing, industrial heat production, and for electricity generation.

Collectively, DomGas Alliance members consume approximately 60 percent of all domestic gas supplied to the Western Australian market. Access to reliable and competitively priced gas is therefore fundamental to the competitiveness of Western Australia's major export industries, manufacturers and mineral processors - all significant contributors to our State and national economy.

Domgas Alliance works closely with State and Federal Governments, and other industry stakeholders, to promote initiatives and debate to ensure sustainable domestic gas supplies in Western Australia.

## WA Domestic Gas Reservation Policy

The WA Government's Domestic Gas Reservation Policy (Policy) aims to secure the State's long-term energy needs and ongoing economic development by ensuring that LNG export project developers also make gas available to the domestic market. The Policy seeks to make available domestic gas equivalent to 15 per cent of LNG exports for the WA market.

The WA Government applies the Policy in a flexible manner. LNG projects must demonstrate their ability to meet the Policy principles as a condition of project approval.

These principles are:

- reserving domestic gas equivalent to 15 percent of LNG exported from each LNG export project;
- developing and obtaining access to the necessary infrastructure (including a domestic gas plant, associated facilities, and offshore pipelines) to meet their domestic gas commitments as part of the approvals process; and
- showing diligence and good faith in marketing gas to the domestic market.

The Policy is given effect through long-term contractual arrangements between developers of LNG export projects and the WA Government. These agreements are struck at project inception and can be varied at the request and agreement of both the WA Government and producer.

Projects are required to meet the conditions of the Policy to ensure domestic gas is available to coincide with the start of LNG production, but the timing may be varied depending on project circumstances. Project proponents may propose to offset their domestic gas commitment by supplying gas or other energy from alternative sources, rather than supplying gas from their LNG projects. Offsets must provide a net addition to the State's domestic energy supply.

The Department of Energy & Economic Development (DEED) assesses compliance with the Policy based on annual domestic gas reports submitted by the LNG exporters. The provision of these reports is a requirement under the agreements that the LNG exporters are a party to with the WA Government. LNG exporters are required to report individually and on a confidential basis to DEED by 31 March each year.

Prices and contracts for domestic gas are determined by the market. DEED does not receive reporting on prices or contract terms executed between market participants.

## Executive Summary

The DomGas Alliance welcomes the Commonwealth Government's recognition that a domestic gas reservation mechanism is a necessary and appropriate policy tool to protect the interests of Australian gas consumers and downstream industries. Western Australia has had its own domestic gas reservation policy since 2006.

The DomGas Alliance is a strong supporter of the WA Policy. However, support should not be confused with satisfaction with its operation. There are several areas where implementation, compliance and enforcement require improvement to ensure the Policy consistently delivers its intended outcomes.

This submission provides context regarding the under-performance of the WA Policy and outlines the issues our members consider should be resolved in relation to the proposed national framework. It highlights the structural differences between WA's existing market and Policy and the national scheme that require resolution before support (or otherwise) for the framework can be determined.

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**As consultation continues and the framework is finalised, the DomGas Alliance encourages the Commonwealth Government to view the national scheme as an opportunity to supplement the existing WA Policy and improve outcomes for the Western Australian market.**

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At a minimum, Western Australian consumers and downstream industries must be no worse off under the proposed national scheme.

To that end, this submission recommends the Commonwealth Government instigate a series of WA market participant, regulator and policymaking roundtables early in quarter 3 (2026) to address the matters raised by DomGas Alliance, and by other key stakeholders from Western Australia.

## 1.0 Introduction

The WA Domestic Gas Policy was formalised in 2006 but the initial policy began in 1979 with the then WA Government helping underwrite the North West Shelf (NWS) LNG project.

The State, together with Alcoa, provided the NWS developers with certainty by contracting to purchase large volumes of gas for domestic consumption over a long period. In addition, the State Energy Commission of Western Australia (SECWA) funded the construction of the Dampier to Bunbury pipeline in order to take the gas to industrial and residential users in the south west of the State.

The State's intervention enabled the NWS LNG project to go ahead and also signaled, in a policy sense, that LNG exports would be supported providing there was a commitment to supply gas to the domestic market for the economic and industrial development of the State.

In relation to the proposed national gas reservation scheme, the DomGas Alliance observe that many of the same critiques and concerns raised in the mid-2000's are being recycled in today's national debate.

Today, the WA Policy enjoys broad public and market support.

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**A recent survey<sup>1</sup> commissioned by the DomGas Alliance found that over 80 percent of respondents supported the State's reservation policy.**

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The DomGas Alliance supports the WA Policy and its objectives, however the effectiveness of a policy should be judged by its outcomes, not simply by its existence or level of public support.

LNG producers with a domestic gas obligation have delivered a total of just 8 percent against a target of 15 percent. Some LNG projects have delivered even less, for example, Woodside's Pluto project has delivered only 3.4 percent of the target of 15 percent (see Case Study, pg 13).

Actual domestic supply in Western Australia has fallen substantially short of what the policy intended - a symptom of broader systemic weaknesses in the WA Policy design and enforcement.

DomGas Alliance members are strongly aligned with other WA stakeholders on the urgent need for clarity regarding Western Australia's place within the proposed national scheme.

Where our view may differ is that we believe the Commonwealth should also consider how the national scheme could be used to strengthen outcomes for the Western Australian market.

We encourage both the State and Commonwealth Government to ensure the outcome delivers the strongest possible outcomes for Western Australian gas consumers.

At a minimum, the DomGas Alliance believes that implementation of the national scheme must ensure the Western Australian market is no worse off. We offer the following principles to guide decision-makers:

- domestic supply volumes to Western Australia do not decrease from current or reasonably projected levels;
- price outcomes for Western Australian consumers and downstream industries are not adversely impacted, and no worse off than those available under the existing Western Australian scheme;
- certainty of supply to Western Australian market is maintained throughout any transition period;
- existing contractual obligations of Western Australia-based producers to domestic purchasers are fully respected and protected;
- existing domestic gas obligations struck under the Western Australian scheme are not eroded.

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*DomGas Alliance*

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[1]

Quantum Market Research conducted polling to test public knowledge and support of the WA Domestic Gas Reservation Policy. The sample included 836 respondents from Western Australia, with data weighted to be representative of the state population by age. Fieldwork was conducted between 1-6 April 2026.

## 2.0 Key differences: WA & national scheme

The following section identifies key differences between the existing WA Policy and the proposed national scheme.

These differences are not merely technical; they go directly to how Domestic Supply Obligations (DSOs) are created, measured, reported and enforced, and will require resolution before the national scheme is implemented in Western Australia.

### 2.1 Reservation commitments: 15 vs 20 percent

The WA Policy requires LNG exporters to make domestic gas available by reserving gas equivalent to 15 percent of LNG exports for the WA market. In contrast the national scheme will reserve 20 percent of LNG exports (measured in joules of thermal energy) which represents a significantly higher reservation target relative to the WA Policy.

It is our understanding that the 20 percent figure was reached through an analysis of the east coast market.

### 2.2 Obligation to supply versus obligation to offer

The existing WA Policy requires LNG producers to market gas to domestic customers in 'good faith'.

In practice, this means producers must only offer gas, not supply it. 'In good faith' is a sound principle, but in reality has created a loophole allowing producers to make uncompetitive offers with unattractive terms (high prices, short contract periods, inflexible volumes) that domestic buyers rationally decline. Once an offer has been made and declined, the producer considers its 'good faith' obligation discharged for that period, even though no actual supply has occurred. It allows producers to defer meaningful domestic supply to later project years.

DomGas Alliance members have reported instances where offers have contained pricing or contractual terms that were deliberately unattractive, uncompetitive, or bundled with unfavourable terms. Buyers often decline these offers without penalty to the supplier.

In contrast, the national scheme proposes to implement a supply obligation. The Design Framework (Section 3) states: *'Under the reservation scheme, offers to the domestic market will not be sufficient to acquit a regulated entity's DSO. Rather, the regulated entity must physically supply gas to gas buyers in the domestic market'*.

Depending on the national scheme's final design, an obligation to supply versus simply an offer of supply would be an improvement on the existing WA Policy settings for gas consumers.

## 2.3 Annual supply versus Life-of-Project supply obligations

The WA Policy measures the DSO on a life-of-project basis. While theoretically sound, this approach has created perverse incentives including:

- allowing producers to defer DSOs to later project years while maximising exports in the early years of a project (effectively transferring the risk of future gas availability from producers to domestic consumers if those obligations cannot or are not ultimately delivered);
- no requirement to deliver material domestic volumes in any particular year (with compliance assessed only on cumulative delivery over the life of the project);
- permitting DSO's to be amended or deferred over time, reducing certainty for domestic gas users and weakening confidence that reserved gas will be available when it is needed.

These issues were canvassed during a WA Parliamentary Inquiry<sup>3</sup>, which concluded that life-of-project obligations allow producers to vary domestic supply in response to commercial considerations and expose domestic consumers to the risk of under-delivery.

The framework for the national scheme requires annual DSO compliance. The Design Framework states (Section 4) that '*regulated entities will be required to meet their DSO from commencement*' on a calendar or financial year basis. Key features at present include:

- annual compliance plans and performance reporting (mandatory);
- quarterly monitoring and escalating enforcement for non-compliance;
- flexibility mechanisms (release valve) only available to entities demonstrating annual supply adequacy;
- accrual of unmet DSO volumes that must be satisfied in subsequent years.

Under the national scheme it is proposed that each year creates a discrete compliance obligation.

Compared to WA Policy settings, this could enable downstream industries and domestic buyers to rely on consistent annual domestic gas availability, improving investment planning and competitiveness. Annual breaches could be immediately visible and subject to regulatory action, unlike Western Australia's life-of-project scheme where underperformance does not become apparent until mid-to-late project life.

From our experience, any proposal for multi-year DSOs under the national scheme should be carefully considered.

## 2.4 Compliance & enforcement

The existing WA Policy contains limited enforcement mechanisms at a policy or regulatory level, relying instead on individual project agreements. There is a requirement for both the State Government and project proponent to agree to any amendments.

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[3] WA Parliament, Legislative Assembly Economics & Industry Standing Committee (2021-2025), *Inquiry into the WA Domestic Gas Policy*

The State Government has no effective mechanism to suspend or revoke export approvals for non-compliance with domestic gas obligations, nor can it readily seek injunctions or other regulatory remedies to compel compliance<sup>[4]</sup>. In practice, the Government's primary recourse is negotiation or political pressure.

These challenges are compounded by fragmented governance arrangements. Responsibility for monitoring DSOs, market reporting and enforcement is split across multiple agencies. Progress reporting is administered by DEED, annual Gas Statement Of Opportunities (GSOO) reporting and the Future Industry Outlook (FIO) by AEMO, and enforcement by the Economic Regulation Authority (ERA). No single agency has complete visibility of producer performance or end-to-end responsibility for compliance.

Further, DEED is responsible both for monitoring producer compliance and for facilitating investment in Western Australia, including engagement with international LNG proponents. While both are legitimate government functions, this combination of responsibilities has the potential to create competing institutional priorities.

Collectively, these arrangements create weak incentives for compliance. Producers are commercially incentivised to maximise LNG exports, which generally generate higher returns, while minimising domestic supply obligations that require additional infrastructure, contracting and logistics. Without credible enforcement mechanisms, the regulatory consequences of underperformance are minimal.

In contrast, the national scheme contemplates:

- legislative enforcement mechanisms;
- mandatory annual compliance plans submitted to the Australian Energy Regulator;
- performance reporting requirements with quarterly monitoring; and
- explicit non-compliance remedies including export license suspension or cancellation.

The WA experience demonstrates that effective enforcement cannot rely solely on policy intent or contractual commitments to deliver the outcomes sought - reliable and affordable gas for WA.

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[4] Note that those projects with State Agreements do typically have the right for the Minister to curtail or suspend exports if the producer is not compliant - the WA Government would need to confirm if these powers have ever been used.

## 3.0 Issues for resolution

The introduction of a national scheme presents an important opportunity not only to clarify the interaction between Commonwealth and WA arrangements, but also to address known implementation and enforcement issues within the existing WA Policy. Regardless of the final design of the national scheme, the DomGas Alliance believes these matters warrant consideration by both governments to ensure the WA market is reliably supplied with domestic gas into the future. The following sections outline additional issues for consideration as the national scheme is contemplated.

### 3.1 Contractual arrangements

The WA Policy has developed over time through a series of project-specific domestic gas agreements negotiated at different points in time. As a result, six exporting projects operate under different contractual arrangements, with varying obligations, reporting requirements and enforcement mechanisms. Some agreements are public, while others are not<sup>[5]</sup> (see Appendix A).

This experience demonstrates that a domestic gas reservation framework can become increasingly complex where obligations evolve through successive bilateral agreements rather than a consistent regulatory framework. It also raises questions regarding transitional issues for the national scheme.

In the DomGas Alliance's view, broad grandfathering of existing arrangements, without complementary measures or incentives, could constrain the Commonwealth's objective of applying a consistent 20 percent domestic reservation framework to new export projects from 22 December 2025.

Our understanding is that the proposed export licence mechanism would remain project-specific, allowing project characteristics to be considered in each determination. However, unlike the Western Australian policy, those determinations would be made under a consistent national framework, at regular intervals and with regard to the same market conditions and policy expectations.

The interaction between existing Western Australian obligations and the national scheme will require careful consideration to ensure legacy arrangements do not undermine the effectiveness or objective of the national policy.

### 3.2 Reporting and Transparency

There are minimal meaningful public reporting requirements required of producers in Western Australia. This results in limited visibility on how producers are performing against their obligated DSO targets.

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[5] <https://www.wa.gov.au/government/document-collections/wa-domestic-gas-policy-documents>

Following on from the Parliamentary Inquiry into Domestic Gas<sup>[3]</sup>, the WA Government introduced the WA Domestic Gas Statement<sup>[6]</sup> (DGS).

While a positive step, the DGS provides only high level detail on domestic gas supply, is severely lagged (approximately 11 months) and is not published frequently enough to create real-time transparency.

The absence of meaningful public reporting contributes to an environment of weak accountability where poor performance is not immediately visible to stakeholders, general public, or legislators. It also means underperformance can be missed by stakeholders external to Government.

### 3.3 Perth Basin projects (onshore gas)

Until 2024 the WA Policy had a longstanding position that onshore gas developments in the Perth Basin must have a 100 percent domestic market focus. This requirement was amended based on representations from producers that the policy was constraining their ability to access investment capital (and one project securing permission from the WA Government in 2020 to export via third party tolling).

At the time, the DomGas Alliance requested the WA Government maintain the export ban based on the fact gas producers sought to develop these resources in the full knowledge an export ban was in place. Likewise, industrial users of natural gas, many of whom produce critical products for the State, made significant investments and invested in expansion projects relying on the existing policy settings and future stability in the State's gas market.

The amended current Policy settings allow for expansion and new onshore gas projects to reserve 80 percent of gas production for the domestic market until 31 December 2030. After this time, these projects will be required to reserve 100 percent for the local market.

The DomGas Alliance expects considerable pressure on this stated intent, based on the extent of lobbying and project delays associated with the 2020 exemption. Our experience is that policy concessions introduced as temporary measures to address specific circumstances can become entrenched over time, gradually eroding the original policy intent.

### 3.4 Woodside's Pluto Project

See page 11-12 of this submission: Case Study on Woodside's Pluto Project.

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[6] <https://www.wa.gov.au/government/document-collections/wa-domestic-gas-policy-market-transparency>

## Case Study: Pluto

Established in 2006, the Pluto domestic gas arrangements require Woodside to supply the equivalent of 15 per cent of LNG production as domestic gas - approximately 115 terajoules per day (TJ/day) - representing a total commitment of 390 petajoules (PJ) over the project's life. As of the end 2024, Pluto had delivered only 40 PJ<sup>1</sup>, representing just over one tenth of its commitment.

### Barriers to fulfil obligation

The primary barrier to compliance is inadequate infrastructure. When the 2006 arrangements were negotiated, Woodside and the State Government did not explicitly mandate that sufficient domestic gas processing capacity be built upfront. Consequently, Woodside has never constructed the necessary infrastructure to supply the committed volumes. This represents a fundamental gap between the policy's intent and its practical application.

Woodside argues that building additional processing capacity is commercially unviable. Pluto gas contains approximately 8% nitrogen and 2% CO<sub>2</sub>. Processing this gas to meet domestic specifications would require expensive nitrogen rejection technology. Woodside maintains that such investment cannot be justified at domestic gas prices. However, the same nitrogen removal process is economically feasible for LNG export due to higher international prices.

### Commercial viability clause

The 2006 Pluto Domgas Arrangements include a provision allowing either the State Government or Woodside to invoke a 'commercial viability test' in relation to its domestic gas obligations. This test is not publicly available, and the ambiguity has effectively enabled Woodside to defer infrastructure investment indefinitely.

Without a defined test, there is no objective mechanism to determine whether the commitment should be fulfilled or modified.

### Recent developments

In 2023 the Economic and Industry Standing Committee (EISC) of the WA Parliament commenced an inquiry into WA's Domestic Gas Policy. In responding to the EISC's Interim Report on domestic gas security which was handed down in 2024, Woodside announced it would double the domestic gas proportion from Pluto (from 15% to 30% of relevant LNG exports) for the period April 2024 through December 2025 adding around 35 TJ/day to domestic supply over this period. Woodside also agreed to bring forward the timing of equity gas commitments from 2025 to 2024 (noting that volumes remained the same).

However, these improvements were temporary and incomplete solutions. They relied on gas swaps with the North West Shelf joint venture rather than addressing Pluto's fundamental infrastructure constraints. Further, in early 2026 Woodside announced it would supply an additional 29 PJ through to 2029, estimated at around 15 TJ/day. Even after factoring in these developments, Woodside still falls well short of meeting the intent of the WA Domestic Gas Policy.

### Implications for WA's energy security

AEMO's 2025 WA Gas Statement of Opportunities forecasts material gas shortages in 2028, and from 2030 onwards.

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**Every TJ/day shortfall represents a gap that must be filled through alternative sources, or more alarmingly, through demand destruction.**

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Against this backdrop, Pluto's underperformance is deeply problematic for Western Australian businesses and households. Gas reserved under WA's Domestic Gas Policy currently supplies approximately half of WA's domestic needs.

### Conclusion

The Pluto case study demonstrates why the design of the national framework is critical. It illustrates that reservation policy is only as effective as its compliance and enforcement mechanisms.

When DSOs can be deferred or interpreted flexibly without transparent reporting or meaningful regulatory consequences, the intended policy outcomes may not be realised.

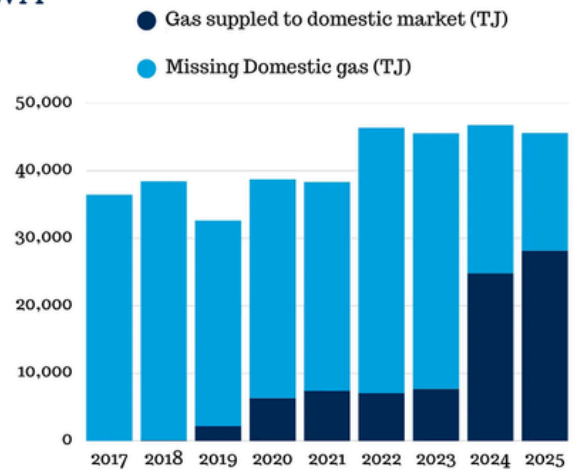
The DomGas Alliance continues to advocate that the Western Australian Government work with Woodside to resolve the project's outstanding domestic gas delivery deficit.

Western Australians, as the owners of the State's gas resources, should receive the full benefit of the reservation commitment through reliable domestic gas supply that supports local industry, jobs and economic prosperity.

The experience of Pluto reinforces the importance of ensuring the national framework contains clear, enforceable mechanisms that deliver domestic gas obligations in practice, rather than relying solely on policy intent or contractual arrangements.

Visit [www.domgas.com.au](http://www.domgas.com.au) for further DomGas Alliance analysis of the Pluto DMO.

**WOODSIDE'S PLUTO LNG FACILITY HAS EXPORTED 285,000 TERAJOULES OF GAS THAT SHOULD HAVE STAYED IN WA**



Source: [www.domgas.com.au](http://www.domgas.com.au)

## 4.0 Recommendation

Western Australia's existing policy has evolved over almost two decades through individual project agreements, policy refinements and market practice. Achieving an outcome in WA will require careful consideration of how the two schemes interact, how existing obligations are treated and what opportunities exist to improve outcomes for domestic gas users in Western Australia.

The DomGas Alliance calls on the Commonwealth Government to convene a series of WA stakeholder workshops during Q3 2026.

This approach would be consistent with the Commonwealth's recent Western Australian-specific consultation process undertaken as part of the *Environmental Protection and Biodiversity Conservation Act* reform program.

Before the scheme is finalised, we recommend the workshops bring together representatives from the Commonwealth Government, the Western Australian Government, regulators, LNG producers, domestic gas users and other key stakeholders to resolve outstanding policy and implementation issues.

Broadly, but not limited to, the workshops should:

- work through areas of difference;
- consider where WA Policy might be extended to the east coast market as a national baseline; and
- consider where the WA Policy needs to be supplemented, based on WA-market specific analysis.

## 5.0 Conclusion

The DomGas Alliance is committed to the operation of effective domestic gas policies.

As the Commonwealth Government progresses design of the framework, it is critical to ensure that Western Australian gas consumers are no worse off as a result of the reforms.

For Western Australia specifically, a transition to a national 20 percent DSO with genuine enforcement mechanisms has the potential to deliver more reliable, predictable domestic gas supply than the current 15 percent scheme.

The DomGas Alliance offers the following observation with the qualification that specific details on how the Commonwealth Government intends to deal with Western Australia are yet to be provided.

Achieving a more reliable, predictable domestic gas supply in Western Australia is contingent on:

- careful attention to Western Australia-specific circumstances and transition arrangements;
- clear regulatory guidance distinguishing the national scheme from the existing state scheme;
- strong enforcement from the outset, preventing reproduction of the Western Australian scheme's structural underperformance; and
- dedicated engagement with Western Australian stakeholders to assess effectiveness and address barriers.

The DomGas Alliance stands ready to participate in stakeholder workshops and work constructively with governments, regulators and industry to develop a national Domestic Gas Reservation Scheme that strengthens Australia's domestic gas security.

## Appendix A: WA Domestic Gas Policy Documents

Project	DomGas Alliance comments
Gorgon	Gorgon is reported within the Domestic Gas Policy framework, but its obligation is within a State Agreement commitment (2,000PJ / 300 TJ per day).
Wheatstone	DomGas Producer Agreement (DPA) executed between State Government and each Wheatstone Joint Venture Participant. The DPAs include a requirement to secure reserved gas for supplying domestic gas equivalent to at least 15 percent of LNG delivered to date, plus 15% of future contracted LNG. DPAs are not public.
Pluto	The DPA is not public, subsequent 'Acceleration' Amendment Deeds on Government website.
North West Shelf	NWS is reported within the Domestic Gas Policy framework, but its obligation is within a State Agreement: <i>North West Gas Development (Woodside) Agreement Act 1979</i>
Waitsia	An onshore Perth Basin gas project with approval to export of up to 7.5 million tonnes of LNG (approximately 400 PJ of gas) subject to conditions including ongoing domestic gas commitments. The exception was made through a project-specific agreement rather than by applying the standard 15% reservation formula.
Scarborough	Domestic Gas Commitment Agreement (DPA) specifies domestic gas commitment (1,400PJ / approximately 180TJ per day) and delivery timing.

## Appendix B: Acronyms & Abbreviations

Acronym	Definition
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
DCCEEW	Department of Climate Change, Energy, the Environment and Water
DEED	Department of Energy and Economic Diversification
DISR	Department of Industry, Science & Resources
DGS	WA Domestic Gas Statement
DSO	Domestic Supply Obligation
ERA	Economic Regulation Authority
GSOO	Gas Statement of Opportunities
LNG	Liquefied Natural Gas
PJ	Petajoule

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