

Woodside's Domestic Gas Obligations for Pluto

Introduction

Woodside's Pluto liquefied natural gas (LNG) project represents a significant challenge to Western Australia's domestic gas security framework. Despite domestic gas obligations established under the WA Domestic Gas Policy requiring LNG producers to deliver the equivalent of 15 per cent of exports to the local market, the Pluto project to date has delivered just 3 per cent.

Background

Recent global shocks such as COVID19, Russia's invasion of Ukraine and the current conflict in the Middle East have exposed the fragility of international supply chains supplying critical materials to Australia's economy. Strengthening sovereign capability is essential to ensuring Australia can withstand future geopolitical and market disruptions. In WA, this means having the capacity to manufacture goods that are critical to our high-value agriculture, mining and construction sectors. It also means investing in value-adding activities that drive job creation and economic growth in this state. However, this is not possible without secure and affordable gas supply so industry has the confidence to make multi-decade investments.

The Problem

The Pluto domestic gas arrangements, established in 2006, 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. However, as of the end-2024, Pluto had delivered only 40 PJ¹, 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% CO₂. Processing this gas to meet domestic specifications would require expensive nitrogen rejection technology. Woodside maintains that such investment cannot be

¹ WA Domestic Gas Statement:

<https://www.wa.gov.au/government/publications/wa-domestic-gas-policy-wa-domestic-gas-statement>



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. However, the details of the test were never agreed upon. This contractual 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 and Insufficient Solutions

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 per cent to 30 per cent 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 will supply an additional 29 PJ through to 2029, estimated at around 15 TJ/day. However, 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

The EISC's analysis forecast that Western Australia will face increasingly severe gas shortfalls from 2030 onwards, potentially exceeding 350 TJ/day by 2032 - almost 30% of the state's total gas demand. In addition, AEMO's 2025 WA Gas Statement of Opportunities forecasts material gas shortages in 2028, and from 2030 onwards.

Against this backdrop, Pluto's chronic 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. Every TJ/day shortfall represents a gap that must be filled through alternative sources, or more alarmingly, through demand destruction.

The Pluto case demonstrates that contractual flexibility, while theoretically allowing for commercial negotiation, can create perverse incentives for non-compliance. Producers retain market power to withhold gas for strategic or financial reasons, even when policy principles are clear that the gas should be available.

Pathway Forward



The EISC recommended that the State Government commence negotiations with Woodside to modernize the Pluto arrangements. Recommendation 2 in its report states:

- *That the State Government commence negotiations with Woodside Energy to modernise the Pluto Domgas Arrangements in line with a more recent domestic gas commitment agreement template; for example, the Scarborough Domestic Gas Commitment Agreement.*

The DomGas Alliance urges the State Government prioritise implementing this recommendation and hold Woodside to account for its long-standing underperformance in supplying gas to the local market.