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Gas Market Review Domestic Reservation Scheme Draft Design Framework

The GLNG Joint Venture provides the following response to the Australian Government's Domestic Gas Reservation Scheme (GRS) Draft Design Framework released on 26 May 2026 ***(Draft Design Framework).***

GLNG DOES NOT SUPPORT THE CURRENT PROPOSED DRAFT DESIGN FRAMEWORK

Based on current market conditions and structural realities, the proposed Draft Design Framework significantly risks undermining its reform objectives – to ensure reliable and affordable gas supply for Australian households and industry over the medium to long term.

GLNG is opposed to the proposed framework because it **fails to respect existing contracts** and **undermines the investment case for new supply development**.

Failing to respect existing contracts:

The proposed framework fails to respect existing contracts by:

- Taking away their existing rights on 1 July 2027;
- Requiring exporters to apply to ministers for reinstatement of those rights;
- Imposing new conditions and obligations on existing contracts – up to a 20 per cent domestic supply obligation that can be accrued over time; and
- Leaving them dependent on annual discretionary export approvals, with ministerial discretion only to be contemplated where an LNG exporter can demonstrate that they have exhausted all avenues to increase their own supply, contract with other LNG exporters, underwrite new production, or purchase gas to obtain export approval.

These measures interfere with the performance of existing contracts and cause material commercial harm, undermining the investment case on which they were based. Therefore, we strongly urge the Government to withdraw the proposed domestic gas reservation framework, undertake a comprehensive assessment of the potential impacts of the proposed framework on the industry, broader economy, and Australia's reputation as a stable and reliable investment destination, and collaborate with industry to design a prospective scheme that supports continued investment in the sector.

Undermining investment case for new supply – through forcing significant additional gas into an already balanced market:

Manufacturers have disclosed they are seeking gas prices below A$10/GJ, which is below the full cycle cost of gas supply. Imposing a 20% domestic gas reservation would rapidly force additional gas into the domestic market in the short term, at the cost of halting investment in existing and future gas supply projects to maintain and grow supply over the medium and long term. This would directly lead to supply shortfalls, with both domestic and international consequences, undermining the ability of LNG exporters like GLNG to continue to be able to fulfill their existing contractual commitments. Ultimately, manufacturers would be reliant on imports.

The proposed framework contemplates ministerial discretion to lower the reservation percentage in any given year. This is akin to setting a new tax rate every year and it will be paid by all gas producers, not just exporters. The uncertainty this approach creates will prevent both domestic and LNG producers from investing in supply because a long-term price signal is needed to underpin those investments. A year-by-year ministerial decision will not provide that signal.

ESSENTIAL PRINCIPLES OF A DOMESTIC GAS RESERVATION FRAMEWORK

1. **The gas reservation must be prospective, not retrospective.**

   Existing contracts (including extensions to those contracts) must not be affected. Existing contractual and property rights, including the performance of the contracts, must not be fettered. Gas reserves and resources already committed to existing contracts and project investments must not be affected. Therefore, the gas reservation must only apply to new export contracts.

   Introducing an export approval process linked to a DSO and accruing domestic gas obligations (as proposed) makes the gas reservation retrospective – not prospective.

2. **The gas reservation must be calibrated to actual demand.**

   The gas reservation must be calibrated to actual demand to meet structural shortfalls that materialise. Based on the current market structural realities and AEMO GSOO forecast, there is no gas supply crisis on the east coast and no requirement for additional gas supply **until the end of 2031**. There are plenty of proposed gas supply projects on the east coast that could and should be developed to meet forecasted shortfalls beyond that time (eg Narrabri).

   In the unlikely event of a peak day shortfall, AEMO can facilitate a market led response and if necessary, issue directions to market participants as a last resort, to ensure peak day demand is met. LNG exporters have further strengthened market resilience during periods of heightened demand by voluntarily stepping in to support domestic supply.

3. **Normal commercial trading arrangements must be preserved.**

   GLNG must be able to trade gas through normal commercial arrangements without restrictions such as a net contribution mechanism.

GLNG'S ONGOING COMMITMENT TO THE DOMESTIC MARKET

GLNG remains committed to doing its part to support the domestic market without breaking its foundation contracts and by working constructively with government to develop a genuinely prospective framework that preserves the investment signals required for new gas supply development when and where it is needed.

GLNG has been attentive to safeguarding Australia's national and international interests and has proactively undertaken five significant measures to support the domestic market.

- Offered seasonal swaps to the domestic market to help address winter demand and seasonal market tightness.

- [redacted]

- Allowed legacy contract long-term GSAs with domestic suppliers to expire resulting in that production being returned to the domestic market.

- Continued to invest A$1 billion per annum to develop its own acreage and expand its gas supply footprint to increase gas supply.

- Underwriting investment in domestic gas producers, including Senex and Meridian, through long-term commercial arrangements that support new supply development.

In addition, GLNG has committed its support to the domestic market by communicating to government its willingness to enter into a new Heads of Agreement with the federal government.

As GLNG has no uncontracted gas but remains committed to supporting the domestic market through its seasonal shaping product and through other measures outlined above, including producing LNG volumes up to the amount enabled by equity gas supply and supply from its equity and strategic partners (Santos, Senex, Meridian), whilst policy settings enable it to do so. GLNG will also continue to invest in its own gas fields to improve its supply of gas to both the domestic market and its export trading partners.

If the government proceeds with the draft proposed framework, it will force GLNG to breach delivery obligations to our Korean and Malaysian buyers at a moment in time when our mutual energy independence has been so clearly demonstrated and understood.

Yours faithfully

Stephen Harty
Chief Executive Officer
GLNG Operations Pty Ltd

ANNEXURE A - GLNG SUBMISSION

GAS MARKET REVIEW DOMESTIC RESERVATION SCHEME DRAFT DESIGN FRAMEWORK

GLNG is opposed to the proposed Draft Design Framework because it fails to respect existing contracts and undermines the investment case for ongoing and new gas supply development. As a result, it significantly risks undermining the reform objectives – to ensure reliable and affordable gas supply for Australian households and industry over the medium to long term.

GLNG does not support the Draft Design Framework on the basis that it:

- **Fails to respect existing contracts** entered into before 22 December 2025.
- **Causes an untenable level of uncertainty for LNG exporters and their trading partners** – with energy supply that underpins the energy security of Korea and Malaysia subject to Ministerial discretion.
- **Directly interferes with the performance of contracts** previously entered into, changing the investment parameters of the investments made - undermining former decisions and halting future gas supply.
- **Cause excessive gas volumes to be forced into a gas market that is already balanced** causing prices to plummet well below the cost of production, devastating domestic producers and halting future gas supply development - ensuring future gas shortfalls on the east coast of Australia.
- **Is not necessary now or in the short term to implement a domestic reservation when there is no gas supply shortfall forecast until at least 2031**.

Any domestic gas reservation should be genuinely prospective with existing LNG contracts respected and new gas supply and infrastructure development encouraged and progressed quickly under appropriate investment settings.

CURRENT MARKET CONDITIONS:

NO STRUCTURAL SHORTFALL & TIME TO CORRECT SUPPLY CONSTRAINTS

Australia does not have a gas supply crisis and will not have a supply issue in the medium term if new gas supply is developed quickly before the end of 2031. AEMO forecasts that the market is adequately supplied until 2032, so there is time to get the policy settings right to deliver long term available and affordable gas to Australian industry and consumers.

The reforms were introduced to address a perceived sustained lack of gas supply before 2030 and to lower gas prices in response to concerns from manufacturers and other industries. However, the reality is that the gas market is balanced and ACCC-threatened market shortfalls have not eventuated. When these threats have loomed, LNG exporters have voluntarily stepped up and voluntarily offered gas to the domestic market, which was not taken up by customers.

Government does not need to act with haste, as AEMO has powers to facilitate a market led response and can make directions in relation to gas supply to address any potential supply risks over the next few years.

THE ISSUE IS SEASONAL/GEOGRAPHIC IMBALANCE, INFRASTRUCTURE AND DECLINING SOUTHERN SUPPLY

The market has been experiencing a more specific challenge – a seasonal and geographic imbalance with:

- **Winter demand peaks in southern states**
- **Declining local production (Bass Strait)** – caused by successive failed government policy halting investment in new development with the knowledge that existing supplies were reducing
- **Constraints in pipeline capacity and storage –** which have also not been addressed.

Together these have impacted gas prices including during peak demand periods.

Market dynamics support that the gas market is not experiencing a system wide shortage, with the current spot price of gas trading at $7.50-$8.50/GJ and contracted gas prices at ~$12-$13/GJ, but a logistical and infrastructure challenge exists which can be addressed through policy settings that encourage investment in gas infrastructure and production.

Australia has decades of gas in the ground and offshore which can be and should be developed under a market framework to serve both domestic and LNG export markets for decades to come. With forecast shortfalls some years away and developing this gas being the key to lowering domestic gas prices, there remains time to deliver the right policy settings that will deliver infrastructure and gas production before 2032.

THE GAS RESERVATION AS DESIGNED WILL NOT ADDRESS DECLINING PRODUCTION AND INFRASTRUCTURE CONSTRAINTS

A policy that mandates increasing gas volumes into the domestic market, without addressing the specific challenges of peak demand, declining production and infrastructure constraints, risks limited impact on prices longer term and will not ease gas supply pressure during periods when it is most acute, particularly during peak winter periods.

Instead, it will undermine investment incentives for gas projects – halting investment in new gas development/production, infrastructure and the expansion of existing production projects. The pressure on the market during peak winter periods will continue and not be eased especially if small producers cannot continue to economically develop and deliver their gas.

WHY THE PROPOSED FRAMEWORK WILL NOT ACHIEVE ITS OBJECTIVES.

FRAMEWORK WILL SIGNIFICANTLY INCREASE LONG-TERM SUPPLY AND AFFORDABILITY RISKS

The domestic gas reservation framework proposed:

1. Introduces a retrospective Domestic Supply Obligation (DSO) that applies to all LNG producers and their LNG Sales contracts from 1 July 2027, subject to a DSO variation dependent on the exercise of Ministerial discretion; and
2. Imposes a positive obligation on LNG exporters to show how they can supply the domestic market and satisfy their DSO before export approvals are granted, including the export of LNG volumes under existing export contracts; and
3. Forces a significant oversupply of gas into the domestic market with the specific intention to strongly drive down gas prices.

The very real consequences of the framework are an oversupply of gas into the domestic market that may reduce prices temporarily, but which will undermine investment by crowding out existing producers who will not be able to meet investment hurdles, significantly increasing long-term supply and affordability risks.

In December 2022, the ACCC found that around A$12/GJ reflects the cost of domestic gas supply, including a reasonable return. This was reaffirmed in December 2025, with updated data showing that costs for new supply are even higher, approaching A$13/GJ.

This indicates that current gas prices are already close to the minimum needed to sustain investment. At these levels, the market is broadly balanced, with pricing reflecting the rising cost of new supply. As the market is operating effectively and investment in new gas supply is being sustained, it is difficult to understand what price government is seeking to achieve at the expense of continued resources development and economic prosperity.

Manufacturers have disclosed they are seeking gas prices below A$10/GJ, which is below the full cycle cost of gas supply. If this gas price is the outcome sought by government, then government must accept that the impact on investment will be immediate and devastating for domestic producers and the economy. The consequences of halting investment cannot be overstated nor ignored with Australia's gas producers voicing the devastating impact of the proposed gas reservation scheme on their businesses (which is addressed in Table 1).

Gas is a core industrial input to electricity firming, manufacturing (chemicals, fertiliser, bricks, glass) and is a necessary resource for residential consumers. Curtailing investment in gas will only increase gas prices which will have an economy wide impact through increased cost of electricity and manufactured products, increased costs to residential consumers, and it will impact the ability of Australia to pursue emerging industries that are required for Australia's continued prosperity.

THE FRAMEWORK CARRIES SIGNIFICANT SOVEREIGN RISK IMPLICATIONS

Significant risk implications arise as the framework alters the commercial environment in ways that retrospectively affect long term contracts and investment decisions. This signals to domestic and international investors that policy settings may shift unpredictably, thereby elevating Australia's perceived risk profile. The ability to secure capital for investment is already very competitive domestically and internationally and raising investment credibility risk will force and motivate investors to look offshore for investments immediately.

Ultimately what the framework will deliver for Australia and Australians is a higher cost of living, lower competitiveness of Australian industries – ultimately declining productivity and declining living standards.

THE FRAMEWORK INTRODUCES A RETROSPECTIVE GAS RESERVATION SCHEME

The framework directly contradicts the Key Design Principles that were presented by DCCEEW and DISR at the round table held in March 2026 and reneges on commitments made by government namely:

- 2a. **Existing contracts will be respected** – No impacts to supply contracts entered into before 22 December 2025;
- 2d. LNG exporters are expected to supply the domestic market **before satisfying any new export** contracts entered into after 22 December 2025, including negotiated or extended contracts.

Australia has an established reputation in the Indo-Pacific region as both a stable investment destination and a safe, reliable provider of energy security. That reputation supports Australia's regional relationships, national security interests and long-term trade partnerships. Recent government statements have also reinforced the importance of reliability and predictability in Australia's energy relationships with Malaysia and Korea.

These commitments are difficult to reconcile with a framework that leaves existing LNG supply contracts dependent on annual discretionary export approvals and is inconsistent with the "no surprises" approach. The framework undermines trust because it does not clearly respect existing foundation contracts - instead, it asks LNG exporters and their customers to rely on ministerial discretion and public assurances that export approvals will be granted despite the framework itself not providing that certainty.

Further, if existing contracts are not respected, government policy will not deliver the energy security Australia's LNG customers paid for (often at a premium), forcing them to seek alternative volumes well before 2027, to provide energy security. This outcome shifts gas supply from a domestic regulatory issue into a foreign affairs issue - eroding confidence in Australia as a dependable trading partner, unsettling long–standing bilateral relationships and creating scope for affected parties to pursue international or diplomatic remedies.

The framework must expressly respect existing LNG contracts and the performance of them (ie including contract extensions and apply only to new export contracts and spot LNG cargoes.

This approach will preserve Australia's domestic gas policy objectives while providing trading partners with the certainty they need that contracted LNG will be delivered.

PRACTICAL IMPLEMENTATION CONCERNS FOR GLNG

For GLNG the proposed framework is unworkable as GLNG must formalise and agree its export arrangements for 2027 over the next few months. With no certainty of volumes GLNG can export from 1 July 2027 this significantly impacts planning of supply arrangements, customer commitments that can be made and investment decisions.

These concerns must be alleviated by government immediately and cannot wait until the implementation of reforms that government wants to commence in 2027.

GLNG provides additional specific comments about the framework in **Table 1**.

Domestic Gas Reservation Scheme – TABLE 1

Draft Design Framework

Design Features	GLNG Commentary
Regulatory Architecture	
Legislative Structure • New primary legislation: establish export approval process, the DSO, powers for Ministers and regulator, powers to set reservation percentage, DSO formula and obligations. • Subordinate legislation: rules specific to export approvals. • Changes to Gas Market Code: establish market-based mechanisms to govern domestic supply and market conduct obligations.	Scheme parameters must be embedded in primary legislation; subordinate instruments and broad ministerial discretion create investment uncertainty. Clear statutory criteria, mandatory reasons for decisions, defined timeframes and merits review are essential.
Regulator • The AER will administer the Reservation Scheme	

Governance Ministerial and Executive Government decisions: • Set the DSO percentage • Issue export approvals • Agree any individual DSO variations • Direct and delegate matters to the AER Independent Regulator, AER roles: • Undertake matters delegated by the Ministers • Develop guidelines and policies relevant to administration of the scheme • Educate industry participants • Assessing export approval applications. • Acknowledge compliance plans • Monitoring and compliance • Advise and inform ministerial and executive government decisions	Clear statutory criteria, mandatory reasons for decisions, defined timeframes and merits review are essential for all Ministerial and Executive Government decisions.
Reservation Commencement • Legislation is intended to commence in 2027 • Export approvals required from 1 July 2027	Australia has time to ensure it gets the policy settings correct. Australia does not have a gas supply crisis and will not have a supply issue in the medium term if new gas supply is developed quickly before the end of 2031. There is no risk of potential supply shortfalls for at least the next few years (2029/2030 for peak day supply risks) with structural shortfalls forecast only from 2032 (see AEMO GSOO 2026). During any potential peak day shortfalls AEMO has powers under the National Gas Rules to deliver a market led solution and utilise directions powers as a measure of last resort.

	The forecast shortfalls in the southern states have been caused by the failure of both NSW and Victoria to develop – in the full knowledge of declining supply from Bass Strait and the Cooper Basin – their own gas resources for more than a decade - not by the LNG Exporters. Australia has decades of gas in the ground and offshore, which can and should be developed under a market-based framework to serve both domestic and LNG export markets for decades to come and developing this gas is the key to lowering domestic gas price. Government does not need to force gas into an existing balanced market operating at a reasonable price level (per ACCC guidance), but it does need to support gas production investment. Whilst government seems committed to improving approval processes, it has not gone far enough with amendments to the EPBC Act. Government must actively approve and fast track gas supply projects now and incentivise investment in infrastructure to ensure gas is developed and can be supplied to demand centres, to facilitate the orderly transition to renewable energy at those locations and attract other industries that will continue to support Australia’s prosperity. This will enable the market to operate effectively and keep downward pressure on price. There is time to develop necessary medium term gas supply to avert forecast shortfalls. Comments on export approvals are discussed under Prospectivity.

Prospectivity • Regulated entities will have the opportunity to propose a variation to their annual DSO (from the 2027 regulatory period onwards) to account for existing contracts entered into on or before 22 December 2025 or existing regulatory obligations. • Regulated entities must first demonstrate they cannot meet their DSO without breaking existing contracts. • Extensions or variations to existing contracts are not considered existing contracts for the purposes of this legislation, such that the arrangements to ensure existing contracts are respected will not apply to contract extensions or variations if executed after 22 December	Existing LNG Contracts (including extensions of contracts) must be fully respected to be prospective. The DGR Framework is retrospective as it directly impacts the performance of existing contracts and contradicts pledges made by the Australian government to GLNG and Australia's trading partners to respect existing contracts entered into before 22 December 2025. For almost a decade, LNG exporters have engaged constructively with the government to ensure both a well-supplied domestic market and a healthy LNG export industry. This collaboration produced clear, shared commitments that: 1. Existing LNG contracts that underpin energy security for Australia's trading partners would be respected; and 2. New gas supplies would be developed to serve both domestic and LNG markets into the future. However, the DGR Framework fails to honour these commitments, interferes with the performance of existing contracts and undermines the investment case for new gas supply development by: 1. Imposing new conditions and obligations on existing contracts: a. A 20 per cent domestic supply obligation applicable to all contracts, including foundation LNG export contracts,

b. The only way GLNG's existing contracts can be honoured is if Ministerial discretion is exercised, and is currently contemplated as an annual process with little notice, and
c. Ministerial discretion will only be contemplated where an LNG exporter can demonstrate that they have exhausted all avenues to increase their own supply, contract with other LNG exporters, underwrite new production, or purchase gas to obtain export approval.

GLNG has an existing established right to export LNG to its trading partners under foundation contracts, without an approval being attached to that right and without relying on the exercise of Ministerial discretion.

GLNG must retain an unfettered right to export committed LNG export volumes under its existing contracts.

Contracts that automatically extend must be considered "existing contracts" and also respected from the framework.

[redacted] The investment was made on the express expectation that those mechanisms would operate, and that the continuation of supply under those mechanisms would be supported by the same regulatory environment under which the original investment in the project was approved.

	These contracts must be respected. 2. Undermining investment decisions which will halt future gas supply. The proposed DGR Framework will also force regulated entities into a commercially untenable position by requiring them, as a condition of export approval to choose between: • Supplying gas at a loss into an oversupplied domestic market to the detriment of existing contracted customers; • Funding uneconomic upstream developments in an oversupplied market; or • Contracting with other LNG producers at a loss to satisfy obligations that cannot be met from their own available supply. Each of these outcomes changes existing investment parameters – eroding previous investment decisions made, undermining investment certainty (discussed below) and contradicts the Framework's own Key Design Principles announced in March 2026 to respect existing contracts.
Export Approval Process • Regulated entities will apply for export approval, providing details of export contracts (SPAs), terms and conditions and how DSO commitments will be	Implementing an export approval process reliant on the exercise of Ministerial discretion is not workable, undermines Australia's reputation as a reliable energy partner and creates unnecessary diplomatic and foreign trade risk.

met (for example, details of domestic contracts (GSAs) and intentions to market and sell gas). • To inform approval decisions, the AER in consultation with AEMO will provide advice on: - the domestic market's demand outlook - impact of exports on domestic supply - any adjustments to DSO requirements. • The time period of any export approval is based on the application and the Ministers' approval • An indicative flow chart for the LNG export approval process is outlined in Attachment A, based on a calendar year compliance period. Subject to consultation, a financial year obligation may be considered more appropriate	Australia has an established reputation in the Indo-Pacific region as both a stable investment destination and a safe, reliable provider of energy security. That reputation supports Australia's regional relationships, national security interests and long-term trade partnerships. Recent government statements have reinforced the importance of reliability and predictability in Australia's energy relationships. For example, Australia and Malaysia have committed to engage in energy trade on a "no surprises" basis, reflecting the countries' mutual energy interdependence, including Malaysia's reliance on Australian LNG and Australia's reliance on Malaysia as a supplier of diesel and refined liquid fuels. Similarly, Australia and the Republic of Korea have renewed commitments to maintain stable, secure and reliable supply of diesel and other liquid fuel arrangements. GLNG, and its JV partners, currently have the right to export LNG. That right is not a matter of grace or discretion. It is grounded in the original Commonwealth and Queensland project approvals granted at the time of GLNG's FID, which inherently encompassed the right to export the LNG produced by the project and the bilateral commercial framework underpinning the export-oriented project (including the foundation LNG Contracts) that were the commercial foundation for the project's development. The substance of this Framework is that an existing regulatory right — the right of GLNG and its participants to export LNG produced from the project — is converted into a discretionary regulatory permission. The right that existed at FID, on which the investment was made, ceases to exist; in its

	place is a permission that may be granted or refused, varied or revoked, on terms determined by the executive government from time to time. **These commitments are difficult to reconcile with a framework that leaves existing LNG supply contracts dependent on an annual discretionary export approvals.** The proposed DGR Framework is inconsistent with this "no surprises" approach and undermines the trust because it does not clearly respect existing foundation contracts. It asks LNG exporters and their customers to rely on ministerial discretion and public assurances that export approvals will be granted despite the framework itself not providing that certainty. This creates material diplomatic and foreign trade risk. International LNG customers have entered into long–term contracts, often paying a premium to secure their energy supply and security, to support their economies, industries and citizens. A policy outcome that specifically prevents GLNG from meeting existing contractual commitments would shift gas supply from a domestic regulatory issue into a foreign issue. It would risk eroding confidence in Australia as a dependable trading partner, unsettling long–standing bilateral relationships and creating scope for affected parties to pursue international remedies. The only policy setting that will preserve Australia's domestic policy objectives whilst providing trading partners with the certainty that their contracted LNG will be delivered, is to fully respect existing contracts and their performance (ie including extensions to those contracts) and apply a

	domestic gas reservation prospectively to new contracts and spot LNG cargoes. GLNG has no uncontracted production volumes that it can divert to the domestic market. Its LNG feed gas is predominantly sourced from equity production, foundation gas from equity partner Santos, gas from strategic partners Senex and Meridian, whose projects were underwritten by GLNG. GLNG has not exported an uncontracted gas spot cargo for some years now and [redacted] we are not in a position to take advantage of high international LNG prices. Therefore, GLNG will be forced to apply for a DSO variation as all of its gas is fully contracted for export to long term buyers. If Ministerial discretion forces GLNG to divert gas volumes to the domestic market, then GLNG will inevitably be forced to breach its foundation contracts and as noted above the consequence is not limited to domestic gas policy; it would also create material foreign trade and diplomatic risk for Australia. Even if a DSO variation is granted by the Ministers, the framework provides for the accumulation of DSO volumes that must later be sold into the domestic market. This accrual mechanism is still a retrospective intervention though the fulfilment of the obligation will be deferred. This is interference in the performance of existing contracts. Further the requirement for Ministers to exercise their discretion to determine if an export approval or DSO variation will be granted is untenable and impractical for LNG exporters and their trading partners, as LNG supplies that underpin the energy security of Korea and Malaysia will become subject to ministerial discretion on an annual basis.

GLNG is required to set its annual delivery plan by November this year and provide contract notices for contracted LNG volumes for 2027 to its Malaysian and Korean Buyers. This is a complex negotiation that will be conducted between GLNG and its international buyers over the next 6 months. The ADP process is of utmost importance to our buyers as they are trying to coordinate LNG supplies coming from all around the world. The logistics of managing shipping, cooperating with port authorities and managing tank inventory is incredibly complex.

The annual delivery program needs to be negotiated and agreed well prior to the timing of the proposed “Ministerial Process” that considers export approvals and possibly a DSO variation - processes that only commence on 1 January 2027 and could take 6 months to resolve.

It is self-evident that the proposed timing of the Ministerial Process is entirely ill-designed for the subject it is meant to regulate.

For example, for the annual delivery program for 2027:

- July 2026, the negotiation starts
- November 2026, issue the annual delivery program with volumes and shipping schedule
- December 2026, 12-month 2027 ADP committed
- 1 January 2027, Ministerial Process on grant of export approvals for 1 July 2027 commences

Contracts that automatically extend must be considered “existing contracts” and also respected.

	[redacted]
Reservation Design	
Regulated Entities • LNG exporters.	
Domestic Supply Obligation (DSO) • Regulated entities will have an annual obligation to supply the domestic market with a proportion of their total exports, referred to as the DSO.	Imposing a 20 % domestic supply obligation on LNG exporters will significantly oversupply gas into the domestic market - swiftly halting investment in existing and future gas supply development projects, and leading to a larger gas supply deficit in the coming years – with domestic and international repercussions affecting future investment. The DSO will directly interfere with the performance of contracts previously entered into and carries significant sovereign risk implications by altering the commercial environment and contractual parameters in ways that retrospectively affect long term contracts. It also raises serious regulatory credibility concerns, signalling to domestic and international investors that policy settings may shift unpredictably, thereby elevating Australia's perceived risk profile. (Addressed under the heading "Reservation Design".) Oversupplying the market will also appropriate gas already committed to export customers and redirect this gas which was developed at a cost of

	tens of billions of dollars. International investors will bear the cost, effectively subsidising Australian gas users which will significantly deter future investment in gas supply projects and in much needed foreign investment in Australian resources and energy industries. The forecast supply and demand balance underpins investment decisions of domestic gas producers. The prospect of over-supply to the domestic market will immediately stall investment to expand existing projects, stall new investment and drive sustained underinvestment over the medium term. Gas development requires huge sums often invested with marginal economics and considerable risk. That means there is a long break-even period on an investment which must be underpinned by a reasonable market-based price. The ACCC has indicated that cost of production price is around $12/GJ. Thus, no one will be able to invest in development until they can secure long-term pricing above the break-even cost of production for a sustained period. Whilst manufacturers have disclosed they are seeking gas prices below A$10/GJ, which is below the full cycle cost of gas supply, this will directly lead to gas supply shortfalls with domestic and international consequences, including making manufacturers reliance on gas imports. Put simply, the proposed DGR Framework will distort market signals needed to drive investment. After 10 years of underinvestment due to moratoriums and poor regulation by the States, the Commonwealth will now further erode confidence and drive producers out of the market. Money will go off-shore. Investment in gas will continue but not in Australia. Capital will tighten supply to the

	point where domestic gas shortages become unavoidable, triggering higher prices and reduced availability. As supply becomes increasingly constrained, the ability to secure long-term gas contracts for gas-powered generators, manufacturers, and other industrial and residential customers will deteriorate sharply, directly undermining energy reliability and increasing the risk of system-wide shortfalls. These repercussions will be swift and impactful including on other industries that rely on gas now and in the future and on other potential thriving industries Australia is trying to attract.
Calculating the DSO • The DSO calculation will be made in line with the following formula: DSO = 20% x LNG Exports Note: The DSO is calculated on the thermal energy content of the volume of LNG exported. In practice LNG exports are measured in millions of tonnes, but for the purpose of the obligation LNG exports are converted to joules to align with how usage is measured. Note: LNG that is regassified and contracted for the domestic market does not count as exports.	In our view the DSO must not be set at 20%. The domestic gas reservation must be calibrated based on actual gas demand across a reasonable period with existing contracts not affected (including contract extensions). Existing contractual and property rights, including the performance of the contracts, must not be fettered. Gas reserves and resources already committed to existing contracts and project investments must not be affected. Therefore, the gas reservation must only apply to new export contracts and spot LNG cargoes. Based on current AEMO GSOO forecasts, there is no shortfall until at least the end of 2031 and there are plenty of proposed gas supply projects on the east coast that could and should be developed to meet forecasted shortfalls beyond that time (eg Narrabri) instead of imposing an annual DSO and export approvals that are subject to ministerial discretion. The Qld LNG producers together export around 1200 – 1300PJ per annum. GLNG exports 310PJ – 360PJ of that volume. Based on the DGR Framework, GLNG's domestic supply obligation at 20% of exports will be

	~62PJ – 72PJ. This alone is a large volume of gas that if forced into the current well balanced domestic market will cause prices to plummet well below the cost of production, devastating domestic producers (discussed above). The DSO is not necessary for some years and if properly calibrated to forecast gas market supply and demand, should be set at zero until the end of 2031. Government does not need to flood gas into a balanced market, but it does need to support gas production investment to increase gas availability and consequently put downward pressure on gas prices. (See comments in Reservation Commencement) Gas prices on the east coast are currently low reflecting the fact that gas is available (no shortfall) at a price that broadly reflects the cost of supply on the east coast, including a reasonable return on investment (as recognised by the ACCC as far back as 2022 and reiterated in 2025). In December 2022, the ACCC found that around A$12/GJ reflects the cost of domestic gas supply, including a reasonable return, noting subsequently that the costs for new supply are even higher, approaching A$13/GJ. This indicates that current prices are already close to the minimum needed to sustain investment. At these levels, the market is broadly balanced, with pricing reflecting the rising cost of new supply. Whilst some gas buyers seek this intervention to lower costs (with manufacturers disclosing they are seeking gas prices below A$10/GJ - below the full cycle cost of gas supply), the reality is that Australian east coast gas prices are manifestly lower than prices paid by end users of

	Australian LNG in importing manufacturing nations, such as Korea and Japan. Australian manufacturers point to the US Gulf Coast manufacturing corridor where prices are equivalent to A$6-7/GJ. However, comparisons with the US are a false equivalence: • Scale - the US domestic market consumes more than 35,000PJ of gas per year against Australia's east coast domestic market which consumes a mere 550PJ per year – it is 1.5% the size of the US domestic market. • Close to Market - the US has over the past decades encouraged market driven investments coupled with the shale / fracking revolution to facilitate the large-scale development of its gas resources, whereas Australia has not - particularly close to industrial markets in NSW and Victoria. • Driven by oil - About 20-30% of gas produced in the US is associated with oil developments and must find a market to enable oil production to continue. Most of the growth in gas production in the US for the last decade has been oil driven. By comparison, all current gas production on Australia's east coast is dry gas which does not have the supportive economics associated with oil development. As noted above, if government presses ahead with a domestic gas reservation, this may provide a very short-term reduction in gas prices, but it will create longer term, a gas supply shortage through a sustained lack of investment.

Reservation % • The reservation percentage will be set by Government as a proportion of an exporter's total production equivalent to 20% of LNG exports, for long-term application	See comments above.
Review Mechanism • The primary legislation will outline a mechanism by which Ministers may review the reservation percentage, only if clear and observable criteria based on the guiding principles for the domestic reservation are met, and with advice from the AER and AEMO. • Any such review will not be time bound.	
Meeting Reservation Obligations	
Acquitting the DSO through supply and swap agreements • Regulated entities can acquit their DSO by supplying gas through standard commercial and market arrangements. Where an entity is unable to meet its DSO from its own production it may engage third	One of the most egregious policy settings is the requirement that gas must be sold and delivered into the domestic market to acquit the DSO. It is not commercially possible to force the sale of gas – even if that is at any price especially where there is simply not enough demand to consume the

parties to provide additional gas on its behalf including via swap arrangements.	additional supply – (example 20% of Qld LNG exported is ~240PJ per annum); and storage options are limited. Markets can only operate effectively without artificial distortions if parties are left to contract in an open market on commercial terms. If gas is not wanted at a reasonable price on the domestic market, then market participants must be able to export that gas without restriction.
Standard commercial and market-based arrangements • Regulated entities will be able to meet their DSOs through standard commercial and market-based arrangements, including sales through: - Bilateral contracts (including gas delivered under gas supply agreements and other arrangements, including as available or call options). - Current and any future Australian Energy Market Operator (AEMO) facilitated markets (regulated entities are expected to be net-suppliers of gas into the AEMO facilitated markets over a set period). • Where a regulated entity is unable to meet its DSO from its own production, it may meet its DSO by	**Swaps and Hub transactions** Whilst the framework suggests that in general, regulated entities will be able to meet their DSO through own production and standard commercial and market-based arrangements, the policy is fundamentally flawed as it contemplates that for facilitated market transactions /hub transactions and swaps that this will only be allowed where the regulated entity is a net supplier or net contributor to the market[1]. This policy unfairly targets GLNG and will materially impact/extinguish GLNG's ability to offer seasonal swaps to supply the domestic market which is one of few mechanisms available to GLNG with all its gas supply contracted under foundation contracts.

[1] Current and any future Australian Energy Market Operator (AEMO) facilitated markets (regulated entities are expected to be net-suppliers of gas into the AEMO facilitated markets over a set period).

Re swaps - Timing (e.g. seasonal shifting) and/or location-swap arrangements may be allowed as long as the regulated entity's DSO provides for a net contribution to the domestic market, for example over a forward period.
See page 7 of the DGR drat Framework

underwriting new third-party production through investment or offtake agreements, where it can be demonstrated that this gas satisfies an additionality test. For example; a regulated entity could underwrite a third-party project that has yet to take a Final Investment Decision (FID) or has not yet received a production license. Such arrangements to meet a DSO would be subject to the application for and receipt of an export approval.	This must be deleted because it is a retrospective intervention on GLNG's foundation contracts and directly interferes with market participants' ability to trade freely which is needed to avoid distorting market signals.
Minimum liquidity requirement to support the spot market • Regulated entities will be required to make uncontracted DSO volumes available to the domestic market, under conditions determined by the AER in consultation with AEMO. • The minimum liquidity requirement will outline the liquidity commitment conditions which must be met for LNG producers to access the release valve mechanism. These conditions will reflect the Government's expectations around producer conduct and supply adequacy. • The liquidity requirement is intended to ensure the quantum of gas available to the domestic market supports a modest oversupply and functional spot markets.	Requires clarification

Infrastructure constraints • As part of their application for export approval, Ministers will be able to agree to a varied DSO if entities are able to prove through evidence that they are unable to physically supply gas due to infrastructure constraints. Over time, regulated entities will need to demonstrate they are pursuing commercial arrangements to overcome any infrastructure constraints that may otherwise prevent them supplying their DSO gas into the domestic market over the medium-longer term	
Treatment of Swaps • Timing (e.g. seasonal shifting) and/or location-swap arrangements may be allowed as long as the regulated entity's DSO provides for a net contribution to the domestic market, for example over a forward period.	See section above - ***Standard commercial and market-based arrangements***
Managing Annual Supply Volumes	
Annual DSO flexibility • Regulated entities will be required to meet their DSO from the commencement of the scheme. • Ministers will have the power to approve a variation to a portion of the DSO for forthcoming	By implementing a framework that requires Ministers to exercise their discretion to determine a DSO variation on an annual or intra annually creates significant uncertainty for both GLNG and trading partners and will impact export arrangements for 2027 as these arrangements need to be formalised this year – that is well before the Minister is required under the

years in line with domestic demand plus a small buffer following requests from regulated entities as part of settling its annual compliance plan. • To inform the decision, the AER in consultation with AEMO will provide advice on: - the domestic market's demand outlook - impact of all regulated entity compliance plans on domestic supply to ensure there is no overall shortfall - any adjustments to DSO requirements to avoid significant1 oversupply of the domestic market in the year ahead	proposal to exercise their discretion and grant a DSO variation for exports from 1 July 2027. Also refer to comments in the section ***Export Approval Process***.
Release valve mechanism • Upon meeting the minimum liquidity requirements, the AER may allow volumes under the DSO that are surplus to the domestic market's demand to be exported (or 'released') • Gas will only be considered surplus if: - Market indicators show near-term supply adequacy - Regulated entities have met transparency, liquidity, marketing and conduct obligations (making gas available on reasonable terms), and - Once established, participation in a new market mechanism based on periodic auctions aimed at balancing short-term supply and demand. • Any DSO volumes that are exported through the release valve mechanism will be accrued into	If government introduces sensible reforms that support investment in gas to deliver a balanced gas market for the longer term, then the domestic market will be well supplied and consequently it will not be necessary to have a release valve mechanism to enable export of LNG. Further, if LNG exporters have offered gas to the domestic market on terms referred to above, and that gas not purchased then LNG exporters should be able to export that gas without restriction including without accruing these volumes as a future DSO. The implications of accruing a DSO are discussed in the section ***Export Approval Process***

subsequent periods, with the ability for these volumes to support resilience of the market during any anticipated supply tightness or shortfall. • Accrual of DSO volumes by regulated entities will be limited to a share of their annual DSO, indicatively set at 30%, to reflect the current structure of contract markets (refer Maximum Annual Accrual section further below).	
Integrated market reforms	
Market Conduction Obligations • Gas Market Code's conduct and negotiation obligations to be replaced by selling practice requirements, proposed to include: - Producers to determine reasonable offer open periods. - Producers and prospective buyers should determine negotiation timeframes. - Price and non-price terms should reflect appropriate risk allocation. - Producers should not withdraw or terminate offers unless there is a material change in circumstances. - Expression of Interest (EOI) responses should receive timely feedback. - Sellers and buyers should negotiate in good faith. - EOIs for gas supply arrangements to be published on the AEMO Gas Bulletin Board.	Markets can only operate effectively without artificial distortions if parties are left to contract in an open market on commercial terms. To remove the potential for sellers or buyers to not genuinely engage and negotiate supply terms, then a rules-based approach to negotiation and bargaining could be considered and developed by government and industry, so there is a set of clear, transparent market-based terms to offer gas to the domestic market.

Transparency Measures • Measures to improve transparency of gas prices and available gas supply on the AEMO Gas Bulletin Board	
Monitoring, Compliance and Enforcement	
Compliance and reporting • Annual Compliance Plan - regulated entities must submit a forward-looking annual compliance plan to the AER covering estimated DSO, forecast gas availability and proposed compliance pathway. • Performance reporting - the AER will establish a performance reporting framework, leveraging existing reporting structures to the extent possible, to assess the progress of regulated entities towards meeting their DSOs.	Annual DSO calculation is misaligned with LNG production planning. The supply challenge is seasonal, regional and peak-day reliability — not total annual volumes.