

Opinion editorial: MD & CEO Brett Woods

You can't manufacture cheap gas by decree

Wednesday, 14 October 2026

Labor's proposed gas reservation scheme forces extra gas into the market to create a short-lived artificial oversupply and ignores the basic rule of supply and demand

The federal government's aim of securing a reliable gas supply for Australian manufacturers to protect our critical industries is an important goal that should be supported. But this must not come at the cost of Australian domestic gas producers who are competing against multinational energy companies.

The proposed domestic gas reservation scheme places a significantly greater burden on Australian domestic gas producers than on multinational LNG exporters.

While the obligations of the reservation scheme will sit with exporters, the resulting price impacts will be felt across the entire domestic market.

Every molecule of gas sold by domestic producers will be exposed to a market scheme designed to oversupply and temporarily artificially depress prices, while exporters are only exposed through their reserved share.

The result is a stark imbalance: domestic producers face exposure across 100 per cent of their production, while exporters face exposure only on up to 20 per cent of theirs. That is five times the impact on Australian domestic producers that have underpinned local gas supply and supported manufacturing for decades, compared with large multinational and predominantly foreign-owned LNG exporters.

Over the past five years, Beach has invested more than \$3.5 billion in projects to increase supply to the east coast gas market. We have also devoted significant time and resources to informing the Gas Market Review and consultation on the domestic gas reservation policy.

The federal government allowed only two weeks for stakeholders to comment on the exposure draft and has not released the modelling underpinning the scheme or its claimed impacts on investment and future supply.

Kroll Economics modelling indicates that forced oversupply would significantly harm the Australian economy and domestic energy security. The Australian Competition and Consumer Commission's gas inquiry has confirmed that the east coast gas market remains well supplied, with domestic prices stable despite volatility in international energy markets, but warns that conditions will tighten from winter 2027 as southern production falls short of demand. Its findings reinforce the need for policy that supports new investment in the south, where much of Australia's domestic-focused production is concentrated.

The government is rushing through a scheme that misunderstands the market it is trying to fix. By targeting supply at 110 per cent of forecast domestic demand, the scheme deliberately creates an oversupply that

weakens investment in new domestic projects, leading to longer-term shortages that hurt manufacturers, households and the broader Australian economy.

Domestic producers supply about three-quarters of the east coast gas market, underpinning Australia's manufacturing sector.

The legislation, as currently drafted, fails to recognise the contribution of these companies and their importance to gas supply. Instead, the scheme forces extra gas into the market to create a short-lived artificial oversupply and ignores the basic rule of supply and demand.

When too much gas is forced into the market, prices can fall below the level needed to incentivise investment in new projects that sustain future supply. Companies will not spend hundreds of millions of dollars drilling wells and building infrastructure if they cannot earn a reasonable return. Capital will go to other industries or overseas instead.

If investment dries up, supply will decline. The market will become tighter, prices will rise, and energy reliability will suffer. A policy meant to improve energy security could end up weakening it.

Australians cannot use gas that stays in the ground. While there have been some positive adjustments to the proposed scheme, the current design risks leaving gas undeveloped because there will be no economic reason to invest in it.

We support the government's goal of strengthening domestic industry and energy security while honouring Australia's trade commitments. But material changes are still needed in the proposed reservation scheme.

There is no shame in putting Australian interests first. Where Australia has the resources, expertise and capability to supply its own energy needs, policy should support that domestic capacity rather than weaken it.

The government can still achieve its objective, but the legislation needs three material changes. It must recognise producers already dedicated to the domestic market, rather than exposing all their production to a scheme aimed at LNG exporters.

It should calibrate the reservation target to maintain a balanced and adequately supplied market, rather than targeting supply at 110 per cent of domestic demand and manufacturing an oversupply that weakens investment.

It should also publish the modelling underpinning the scheme so its impacts on investment, future supply and prices can be properly assessed.

These changes would secure gas for Australian manufacturers and households while preserving the investment needed to develop tomorrow's supply. That is the practical path to stronger domestic industry and sovereign energy security.

The above opinion editorial was published in The Australian Financial Review on Wednesday, 14 October 2026.

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