24 September 2026
Mr Hew Atkin
Acting Division Head, Gas Markets
Via: online lodgement on DCCEEW website

Response to DCCEEW/ DISR Consultation Paper on Domestic Gas Reservation Scheme Exposure Drafts

Dear Mr Atkin,

Squadron Energy welcomes the opportunity to respond to the Consultation Paper published by DCCEEW and DISR in September 2026 on the Exposure Drafts for the Domestic Gas Reservation (DGR) Scheme.

Squadron Energy is Australia's leading renewable energy company that develops, operates and owns renewable energy assets in Australia. We currently have 2 gigawatts of renewable energy generation in operation or under construction. Our development pipeline includes projects at varying stages across wind, solar and firming technologies, including batteries and gas peaking plants with dual fuel capability. Squadron Energy also owns the Port Kembla Energy Terminal (PKET), a fully constructed LNG regasification terminal in NSW and has invested in infrastructure designed to introduce additional gas supply capacity, enhance supply security and support market-led responses to emerging gas adequacy risks in southern markets.

Key points

1. The DGR Scheme should define the outcome, not the delivery solution. It should be infrastructure-neutral and allow the market to determine the least-cost delivery solution.

2. Reserved gas must be physically deliverable when and where it is needed.
   a. LNG regasification should be expressly recognised as a Domestic Supply Obligation (DSO) delivery pathway.

3. Infrastructure constraints should not become an automatic basis for DSO relief.
   a. The infrastructure-constraint test is too narrow and must include LNG regasification
   b. Before relief is granted, licence holders should be required to demonstrate that all commercially available delivery alternatives have been tested (including available LNG shipping and regasification infrastructure), and that the terms offered are commercially unreasonable.
   c. Existing LNG regasification capacity is material in the context of the proposed DSO and should be considered when assessing commercially available alternative delivery infrastructure.

4. The DGR Scheme should avoid creating incentives for unnecessary long-lived infrastructure, particularly where the underlying transport requirement is seasonal or concentrated in short peak periods.

5. Diversified delivery pathways, including DSO delivery via LNG regasification, improve competition and resilience for southern customers.

SECTION 1 - THE DGR SCHEME SHOULD DEFINE THE OUTCOME, NOT THE DELIVERY SOLUTION

The objective of the DGR Scheme should be clear: ensure sufficient gas is physically supplied to Australian customers when and where it is needed.

This is already consistent with the objectives of the Bill, including "(…) (b) to deliver energy security and stable natural gas prices for Australian businesses and consumers[1]".

It is also affirmed in the Government's joint statement on the DGR Scheme "The Albanese Government is establishing the first national Domestic Gas Reservation Scheme because Australian households and businesses, quite rightly, expect to have access to affordable Australian gas.[2]"

Legislation should therefore not favour or implicitly assume a particular delivery solution. The exposure draft does not meet that test. Instead, it is structured around physical gas markets and pipeline connections, while the treatment of LNG regasification remains unclear.

There is no policy reason to treat qualifying gas differently solely because it reaches the domestic market through LNG regasification rather than through a transmission pipeline. What matters is whether the gas is genuinely additional, physically delivered into the domestic market, available to Australian customers when and where it is needed, and supplied on commercially reasonable terms.

1.1 LNG should be eligible to meet a DSO

The draft legislation refers to the supply of natural gas but does not clearly establish how LNG shipped to an Australian regasification terminal should be treated. LNG is not expressly excluded, but nor is it clearly included. That ambiguity should be removed and clarified.

For New South Wales and Victoria, the emerging problem is not simply whether enough gas exists nationally. It is whether sufficient gas can physically reach southern customers during winter peaks where North to South gas flow constraints exist.

Squadron Energy therefore reiterates its June 2026 recommendation that domestic pipeline gas, domestically sourced LNG, and internationally sourced LNG all be eligible to meet a DSO, provided they satisfy the Scheme's additionality and domestic supply requirements.

1.2 LNG regasification should be an explicit DSO pathway

1.2.1 Enabling LNG regasification as an explicit DSO pathway

The May 2026 DGR Scheme Draft Design Framework expressly identified gas supplied via an LNG regasification facility as an eligible additionality arrangement:

"*Where an LNG exporter is unable to meet its DSO from its own sources of production, it may acquit its DSO by entering into arrangements with other producers to supply gas on its behalf. Any*

[1] *Domestic Gas Reservation Bill 2026*, Clause 3.

[2] Securing more affordable gas for Australians, Joint Statement, Commonwealth Government (10 September 2026) Accessed at: https://www.minister.industry.gov.au/king/media/securing-more-affordable-gas-australians

such arrangements to acquit a DSO must be approved by Ministers as part of the assessment of an application and must satisfy an additionality test. That is, the arrangement must result in the supply of gas to the domestic market that would not otherwise have been made available to the domestic market. This could include:

- *Gas supplied by another LNG exporter,*
- *Gas supplied via an LNG regasification facility,*
- *(…).”*

However, that explicit recognition has not been included in the exposure draft Bill. The result is less clarity, not more.

The legislation should expressly recognise LNG regasification alongside other means of physically supplying gas to the domestic market. This should include:

- gas transmission pipelines;
- LNG regasification infrastructure (including floating storage and regasification units, onshore receiving facilities and associated send-out connections to the transmission network);
- shipping arrangements (including domestic coastal LNG shipping); and
- market-based transactions.

The legislation should not discriminate between delivery solutions. If pipeline gas, a swap, third-party gas or another commercial arrangement can satisfy a DSO where the relevant requirements are met, gas physically delivered through an LNG regasification terminal should be treated in exactly the same way.

1.3 How LNG regasification will work within the DGR Scheme

The delivery technology changes, but the policy outcome does not: qualifying gas is physically supplied into the relevant Australian domestic gas market and made available to Australian customers.

1. LNG exporter has a DSO	A regulated LNG exporter (licence holder) has a DSO for the East Coast domestic gas market.
2. Natural gas produced and liquefied	The exporter produces natural gas, converts it to LNG at a liquefaction facility, and loads it onto an LNG carrier
3. LNG shipped to Australia	The LNG carrier transports the cargo to a domestic LNG terminal connected to the East Coast domestic market, where it is transferred into the terminal.
4. LNG regasified	The LNG is warmed and converted back into natural gas (regasification).
5. Gas injected into East Coast pipeline network	The regasified gas is injected into the east coast pipeline network, allowing it to flow to Australian markets.
6. Australian customers receive gas	The gas is delivered to East Coast customers, including households, businesses and industrial users.
7. Eligible supply counts toward DSO	Where the gas meets the Scheme’s domestic supply and other requirements, the eligible quantity can be credited against the exporter’s DSO as ‘own gas’.

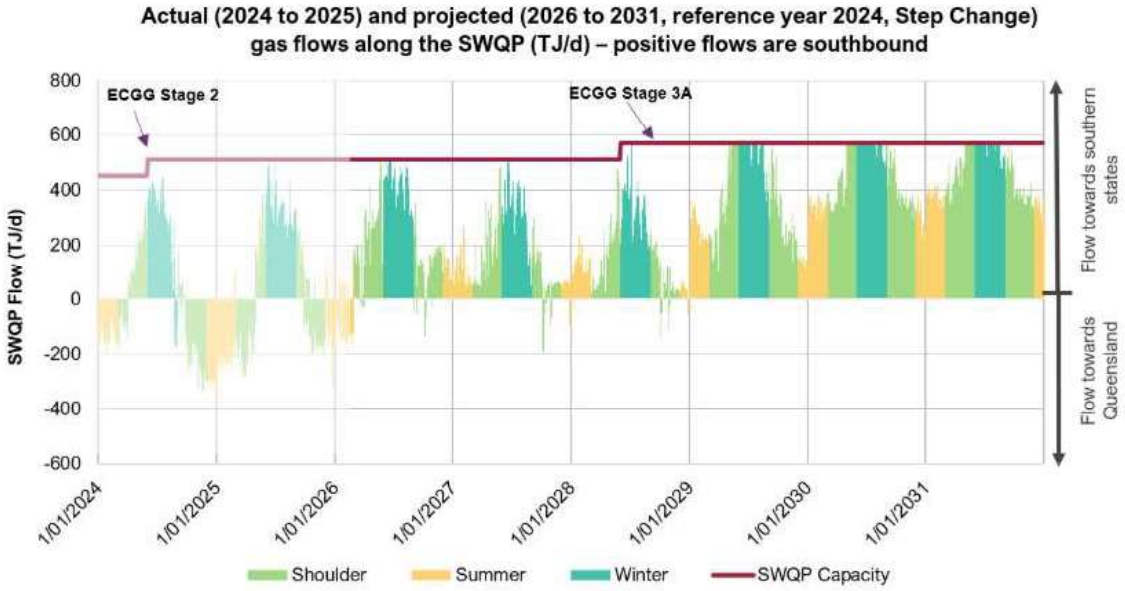
Why this matters

The objective of the Scheme is to ensure gas is physically available to Australian customers when it is needed. Whether the gas arrives through a pipeline, by ship and regasification, or through another delivery method should not matter. What matters is that the gas reaches Australian customers and improves domestic supply.

1.4 North-south pipeline constraints are already emerging

The design of the infrastructure-constraint provisions matters because north-south pipeline capacity constraints are a real issue.

AEMO's 2026 Gas Statement of Opportunities shows the South West Queensland Pipeline reaching its southbound limit during peak periods and becoming progressively more constrained as southern production declines. While, AEMO classified, committed expansion provides additional capacity from winter 2028, AEMO forecasts the pipeline will reach its flow limits around 25 per cent of the year from 2029, compared with around 3 per cent historically.



Source: EnergyQuest from AEMO data

This has an important implication for the DGR Scheme. A northern producer should not be able to establish that gas cannot reach southern customers merely by demonstrating that the principal pipeline route is constrained. Pipeline constraints should trigger a test of alternative delivery pathways, not automatically become a pathway to DSO relief.

This means the Scheme should not treat pipeline capacity as synonymous with delivery capacity. Where the principal pipeline route is constrained, commercially available alternatives - including LNG shipping and regasification - should be tested before infrastructure-based relief is granted.

SECTION 2 - INFRASTRUCTURE CONSTRAINTS MUST BE TESTED AGAINST ALL AVAILABLE DELIVERY SOLUTIONS

Squadron Energy supports the shift from "must offer" to "must supply" and the introduction of limited seasonal flexibility. However, a "must supply" obligation is undermined if an exporter can obtain relief simply because an existing pipeline pathway is constrained, which is currently the case in practice.

2.1 Significant details need to be provided, beyond the high-level principles outlined in the Bill

Squadron Energy is concerned that several important elements of the DGR Scheme have been left to delegated instruments rather than addressed in the Bill. For example, the Bill does not provide a definition of 'infrastructure' so it is not clear whether constrained pipeline infrastructure would be sufficient for a determination. Similarly, in the making of a determination, the Minister must be reasonably satisfied that the licence holder is actively taking steps to improve its ability to make DSO supplies. It is not currently clear what that would entail.

The Government should provide clarity on these outstanding design elements and consult on the relevant instruments as soon as practicable.

2.2 The infrastructure-constraint test is too narrow and must include LNG regasification

In the draft legislation[3], the Minister can determine an adjustment quantity where a regulated entity is affected by an infrastructure constraint. The associated Explanatory Material appears to frame those constraints principally around pipelines. That framing is unnecessarily narrow and risks introducing a pipeline bias into a scheme that should be infrastructure neutral.

A regulated entity should not be entitled to DSO relief because a particular pipeline is constrained if another commercially reasonable means of physically delivering the gas is available.

The relevant question is not whether one pipeline is constrained. It is whether there is a commercially reasonable way to physically deliver the gas. That assessment must include LNG regasification.

Before relief is granted, licence holders should be required to provide evidence that they have tested all commercially available alternatives against published Australian Energy Regulator criteria, including:

- pipeline capacity;
- LNG shipping and regasification via a terminal;
- third-party supply and swaps; and
- other commercially available arrangements capable of physically delivering gas.

The new requirement for licence holders to be "actively taking steps" to improve their ability to supply gas should expressly require this testing and verification process.

As north-south constraints increase, this test becomes increasingly important. Infrastructure-constraint relief should only be available where commercially reasonable alternative delivery pathways have genuinely been tested.

2.3 The Scheme should avoid unnecessary, inefficient long-lived infrastructure

The DGR Scheme should not become a mechanism that indirectly forces consumers or taxpayers to underwrite major long-lived pipeline expansions simply because the legislation has been designed around pipelines.

The emerging southern gas challenge is increasingly characterised by seasonal and peak-period deliverability, rather than a requirement for the same additional transport capacity on every day of every year.

Scheme design should also avoid creating incentives for long-lived infrastructure investment that is disproportionate to an increasingly seasonal and transitional requirement for gas.

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[3] *Domestic Gas Reservation Bill 2026*, Clause 25.

Flexible infrastructure is particularly valuable in those circumstances. LNG regasification can be used when required and scaled according to market demand.

Consumers should not be required to underwrite decades of pipeline capacity to meet demand that peaks for only days or weeks each year.

The legislation should not predetermine that pipeline expansion is the preferred response to a delivery constraint. It should require available solutions to compete on their economic merits.

2.4 Diversified delivery pathways improve competition and resilience

Diversification of delivery pathways is important for both competition and reliability. Reliance on a single constrained north-south pipeline corridor limits the ability for alternative suppliers to compete for southern customers and creates a single point of failure when that infrastructure is constrained or unavailable.

In contrast, LNG regasification provides an independent entry point into southern markets, increasing supply competition and strengthening resilience.

The DGR Scheme should enable, rather than restrict, that diversification. It should not create a regulatory preference for one delivery pathway over another. Competing infrastructure solutions should be able to succeed or fail on their commercial merits, including cost, timing, flexibility and deliverability.

2.5 LNG regasification is an available delivery pathway from DSO commencement

LNG regasification is not a theoretical future infrastructure option. Australian regasification infrastructure already exists and can provide a practical alternative pathway into southern gas markets.

PKET provides a current example. Its onshore infrastructure is constructed and commissioned and the terminal will be available to supply southern markets from winter 2028, aligning with the first year in which DSO requirements are proposed to apply.

PKET is designed to provide approximately 130 PJ per year of additional gas supply and over 520TJ per day of additional capacity into the southern east coast market. It can receive LNG from Australian producing regions or international markets and deliver it directly into the New South Wales gas transmission network. This will provide an additional source of supply for southern markets, including NSW and Victoria where supply risks are concentrated, and avoid constrained north-south pipeline corridors. Finally, PKET's floating regasification infrastructure can also be redeployed if market conditions change.

LNG terminals of this scale are material in the context of the proposed DSO (whether at the statutory 20 per cent maximum or below) and should therefore be considered when assessing whether alternative delivery infrastructure is commercially available.

Existing LNG regasification infrastructure is precisely the type of commercially available alternative that should be considered before infrastructure-constraint relief is granted.

The Government should not design the legislation on the assumption that pipelines are the only practical means of moving gas between producing and consuming regions. They are not. LNG regasification is not a theoretical future option: the infrastructure exists today and will be available when DSO requirements commence.

Where this capacity is commercially reasonable, pipeline constraints should not automatically justify DSO relief.

CONCLUSION

Keep the legislation focused on the objective

The Government should specify:

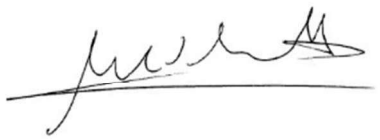
- how much gas must be supplied;
- where and when it must be available;
- additionality and domestic-use requirements; and
- clear compliance obligations.

It should then allow the market to determine the most efficient commercially reasonable delivery solution. A reservation scheme that reserves gas on paper but cannot get it to customers when they need it has not solved the supply problem.

The legislation should be clear about the outcome and agnostic about whether that outcome is delivered by pipeline, LNG shipping, regasification, storage or another commercially reasonable solution.

If you would like to discuss this submission or any related content, please contact Marilyne Crestias, Director – Energy Policy & Regulation at marilyne.crestias@squadronenergy.com.

Yours sincerely,



Walter Schutte
EGM Customer and Energy Markets
Squadron Energy

ATTACHMENT 1 – DETAILED RECOMMENDATIONS

LNG should be eligible to meet a DSO

Squadron Energy recommends the following amendments to the DGR legislation:
Recommendation 1: Confirm that domestic pipeline gas, domestically-sourced LNG and internationally-sourced LNG can all be eligible to meet a DSO.

LNG regasification should be an explicit DSO pathway

Clarifying how supply into the domestic gas market can be delivered

Section 9 of the Bill defines a domestic gas market as one in which natural gas is acquired and supplied through a physical network of interconnected gas pipelines. Section 12(2) then states that, for supply into a domestic gas market, the relevant market is the one for which the physical network of interconnected pipelines is the network "through which the acquisition or supply is made".

Read literally, section 12(2) can be interpreted as confining supply into a domestic gas market to supply made through the interconnected pipeline network itself. That interpretation would create uncertainty about whether gas physically delivered into the east coast domestic gas market through an LNG regasification terminal and subsequently injected into the interconnected pipeline network qualifies as supply in that market.

This ambiguity is not consistent with the DGR Scheme's stated objective of ensuring reserved gas is physically available to Australian consumers. It also risks unintentionally narrowing the range of practical pathways through which a licence holder can meet a DSO in the east coast market, which risks reducing competition, restricting supply diversification and weakening the resilience benefits that flexible delivery pathways provide.

The Bill already seeks to recognise Australian domestically produced LNG delivered into the Australian domestic market by providing that LNG unloaded in Australia is not treated as exported LNG for the purposes of the scheme[4]. It should be equally clear that gas delivered through the same LNG regasification terminal into the east coast pipeline network can be used to meet a DSO.

This clarification is limited to the east coast domestic gas market. It does not link the east coast and Western Australia markets, nor does it change the market-specific structure of the DSO.

Squadron Energy recommends the following amendments to the DGR legislation:
Recommendation 2: Recognise LNG regasification facilities, associated shipping and connections to the domestic network as eligible means of physically meeting a DSO.

Recommendation 3: Amend section 12(2) to clarify that:

- supply into a domestic gas market is not limited to supply made solely through the interconnected pipeline network referred to in that provision, and that
- gas delivered through LNG regasification infrastructure and injected into the east coast pipeline network can constitute supply in the east coast domestic gas market.

Clarifying when an export does not occur

Squadron Energy notes that the drafting under Section 11(2)(c) applies circumstances when an export occurs. However, it does not provide for circumstances when an export does not occur.

Further, it does not provide any allowance for the use of cargo swaps to meet obligations such as where a licence holder utilises another equivalent cargo to swap out the cargo it has produced in

[4] *Domestic Gas Reservation Bill 2026*, Clause 11.1 and note.

Australian territory (cargo 1) and deliver the cargo from elsewhere (cargo 2) to be unloaded in Australian territory in its stead.

As currently drafted, in this circumstance the licence holder would be deemed to have exported cargo 1 and therefore would have a DSO associated with cargo 1, despite delivering an equivalent quantity, via cargo 2, to Australian territory.

Squadron Energy recommends the following amendments to the DGR legislation:
Recommendation 4: Add a provision which provides that, to avoid doubt, an export does not occur in certain circumstances, such as when LNG is unloaded from the vessel on land in Australian territory and distributed into the interconnected pipeline network or when an equivalent quantity of LNG is unloaded from a vessel on land in Australian territory and distributed into the interconnected pipeline network on behalf of the licence holder.

Clarifying notion of additional gas
A licence holder ("first licence holder") should be able to meet its DSO commitment by supplying natural gas that it has acquired from another licence holder ("second licence holder"). Accordingly, natural gas that is acquired from the second licence holder (or LNG that is acquired from the second licence holder that is regasified into natural gas) should automatically be taken to be "additional gas" (or alternatively be taken to be the "own gas" of the first licence holder). However, the sale of between the licence holders should not count as a DSO supply by the second licence holder (to avoid double counting this quantity).

This position is consistent with the policy objectives as it would result in gas produced by an exporter being supplied into a domestic market.

Squadron Energy recommends the following amendments to the DGR legislation:
Recommendation 5: Expressly recognise that:
- additional gas may be produced:
    - in another gas market; or
    - outside of Australia; and
- a licence holder should be entitled to apply under section 68 for approval by the Australian Energy Regulator (AER) of a quantity of gas being additional gas.

The infrastructure-constraint test is too narrow and must include LNG regasification

In the draft legislation[5], the Minister can determine an adjustment quantity where a regulated entity is affected by an infrastructure constraint. The associated Explanatory Material appears to frame those constraints principally around pipelines. That framing is unnecessarily narrow and risks introducing a pipeline bias into a scheme that should be infrastructure neutral.

A regulated entity should not be entitled to DSO relief because a particular pipeline is constrained if another commercially reasonable means of physically delivering the gas is available.

The relevant question is not whether one pipeline is constrained. It is whether there is a commercially reasonable way to physically deliver the gas. That assessment must include LNG regasification.

Before relief is granted, licence holders should be required to provide evidence that they have tested all commercially available alternatives against published Australian Energy Regulator criteria, including:
- pipeline capacity;

[5] *Domestic Gas Reservation Bill 2026*, Clause 25.

- LNG shipping and regasification via a terminal;
- third-party supply and swaps; and
- other commercially available arrangements capable of physically delivering gas.

The new requirement for licence holders to be "actively taking steps" to improve their ability to supply gas should expressly require this testing and verification process.

As north-south constraints increase, this test becomes increasingly important. Infrastructure-constraint relief should only be available where commercially reasonable alternative delivery pathways have genuinely been tested.

Squadron Energy recommends the following amendments to the DGR legislation:
Recommendation 6: Explicitly specify that infrastructure-constraint relief is only available after evidence is provided that all commercially available delivery alternatives (including available LNG shipping and regasification infrastructure) have been tested, and that the terms offered are not commercially reasonable.

Recommendation 7: Amend section 25(5) of the Bill to require the Minister, in making an infrastructure constraint adjustments determination, to be satisfied that the licence holder cannot reasonably produce or acquire additional quantities of natural gas or LNG for the purpose of making DSO supplies.

Recommendation 8: Include further objective measures in the Bill (e.g. defining 'infrastructure' or providing relevant examples); alternatively, Government should provide guidelines detailing its decision-making criteria in make such determination.