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3 July 2026

Mr Hew Atkin
Branch Manager | Gas Markets
Gas & Liquid Fuels Division
Department of Climate Change, Energy, the Environment and Water
GPO Box 787
CANBERRA ACT 2601

Dear Mr Atkin

RE: Domestic Gas Reservation Scheme - Draft Design Framework

INPEX Australia (**INPEX**) welcomes the opportunity to provide feedback on the Australian Government's Draft Design Framework (**Draft Framework**) for the Domestic Gas Reservation Scheme.

We support policy settings that strengthen domestic energy security and ensure reliable, affordable gas supply for Australian households and industry. However, a central concern is that, as currently proposed, the Draft Framework risks driving a sustained period of underinvestment in new gas developments, which would reduce future supply and undermine domestic energy security over time and erode Australia's reputation as a stable and reliable energy supplier.

We wish to draw attention to the *Australia–Japan Joint Statement on Energy Security Cooperation*, issued on 4 May 2026 during the visit of Japanese Prime Minister Takaichi to Canberra for bilateral discussions with Prime Minister Albanese which states:

> *"We reaffirm our commitment to strengthen energy security; support the flow of essential energy goods, including liquefied natural gas, coal and liquid fuels between our two countries; and* maintain *stable and transparent engagement on the trade of energy products, while enhancing predictability and transparency regarding the investment environment."*[1]

The importance of maintaining stable and predictable LNG trade is not only a commercial issue but a strategic one. Given the centrality of Australia–Japan energy trade to regional energy security, any policy intervention - including the Draft Design Framework - must be carefully calibrated to avoid unintended impacts on established and future LNG markets. Maintaining confidence in Australia as a reliable and predictable supplier is essential to preserving this strategic partnership. In this context, INPEX is particularly

[1] Australia-Japan Joint Statement on Energy Security Cooperation | PM&C

concerned that treating extensions or renewals of foundational LNG contracts as 'new' contracts would retrospectively alter the commercial basis on which major LNG investments were sanctioned, creating material sovereign risk and undermining confidence in Australia's policy stability.

INPEX remains committed to the stable operation of Ichthys LNG, in which AUD $76 billion capital has been expended to date; and which accounts for nearly 10 per cent of both Japanese and Taiwanese LNG imports. Our Ichthys LNG onshore facility provides critical emergency domestic gas supply to the Northern Territory, supporting electricity generation and essential services. We seek for this to be recognised under the Draft Framework as well as the project-specific circumstances of Ichthys LNG, including its remote Northern Territory location, existing domestic supply arrangements, infrastructure constraints and absence of a domestic gas portfolio capable of meeting east coast market obligations.

In addition to contributing directly to domestic gas supply, INPEX also invests in Australia's broader energy system, such as through our 50% participation in Potentia Energy's sizeable renewable portfolio in Australia spanning solar and wind power generation. These investments support Australia's energy security and decarbonisation objectives and reflect INPEX's long-term commitment to the Australian energy market. It is therefore important that policy frameworks also recognise the full scope of contributions made by investors across the entire energy system.

INPEX is also currently evaluating a suite of additional multi-billion-dollar investment opportunities in Australia, including further development of the Ichthys gas field, backfill supply from areas such as the Cash Maple field and the Beetaloo Sub-basin, a potential third Ichthys LNG processing train, and the Bonaparte Carbon Capture and Storage (CCS) Project. While these opportunities are central to long-term energy security, emissions reduction, regional partnerships, and economic growth, their delivery depends on sustained investor confidence - grounded in the ability to achieve a commercial return over multi-decade timeframes within a stable and predictable policy environment.
If policy settings materially weaken expected returns or increase uncertainty around future obligations, these projects may be delayed, deferred or not proceed, contributing to underinvestment in new supply at a time when the domestic gas market can least afford it.

While INPEX welcomes the additional detail provided in the Draft Framework, it raises a number of material issues that risk weakening investment signals across the sector - reducing, rather than enhancing, long-term gas supply in Australia and eroding the country's reputation as a reliable and trusted energy supplier. Over time, policies that distort market conditions or diminish commercial returns will constrain supply and exacerbate the very challenges they are intended to address.

In its current form, the Draft Framework:

- **Presents material risks to INPEX's future investments in Australia** - by seeking to create a sustained oversupply and depress domestic gas prices, the Draft Framework risks undermining the commercial foundations required to sanction new, multi-billion-dollar gas supply projects - including Ichthys backfill and expansion opportunities such as the Cash Maple field development - should these projects fall within the scope of the Domestic Gas Reservation Scheme. Instead, the Scheme should distinguish between genuinely new, standalone domestic supply developments and sustaining or backfill developments required to maintain production from existing LNG facilities and fulfil long term foundational commitments. Applying the Scheme to sustaining or backfill type investments would materially weaken the economics of existing projects and likely deter one of the few scalable, near-term sources of incremental supply. This would reduce the likelihood that these investments proceed at all, thereby diminishing total supply over time and exacerbating the risk of underinvestment.

- **Seeks to engineer a sustained oversupply of gas without providing investment certainty** - the Draft Framework is fundamentally at odds with the Australian Government's stated policy objective of long-term energy security. Instead, it risks driving a sustained period of underinvestment in new gas supply. Production from existing gas fields cannot be sustained without ongoing maintenance and further investment and would otherwise decline rapidly and materially. Even increasing output from mature fields requires significant capital and extended lead times - typically in the order of five to ten years for studies, engineering, procurement and execution - while new gas supply projects progressing from exploration through to production require materially longer timeframes.

- **Lacks any incentives to drive future gas supply** - the Draft Framework does not provide for, nor adequately consider, complementary Government measures to support an increase in domestic gas supply. This includes potential mechanisms such as targeted fiscal incentives for new exploration and development, co-investment in critical transmission infrastructure to connect remote gas resources to the east coast market, and the provision of concessional financing or joint investment arrangements. The absence of such measure's risks undermining the conditions necessary to deliver secure and affordable gas supply over the long term. Greater clarity is also required around the exercise of ministerial discretion, including objective criteria for exemptions and variations, to ensure long-term investment decisions are not exposed to annual regulatory uncertainty.

These concerns are compounded by the proposed treatment of foundational contract renewals, the application of the Domestic Supply Obligation (**DSO**) to projects with materially different geographic and infrastructure circumstances, the proposed accrual of unmet DSO volumes, and the reliance on annual discretionary decision-making. Together, these elements risk creating uncertainty for existing operations and future investment decisions, particularly for long-life LNG projects that depend on stable contractual, fiscal and regulatory settings over multi-decade timeframes.

The Australian Government's own Gas Market Review Report[2] (**GMR Report**) acknowledged the need for new supply, streamlined regulation, and investment-enabling settings. Yet subsequent policy development has focused almost exclusively on implementing the Domestic Gas Reservation Scheme rather than also addressing barriers to new supply. Without incentives or a clear investment pathway, the scheme risks reducing - rather than increasing - future domestic gas availability.

INPEX maintains our position that the most effective, realistic and sustainable way to address potential shortfalls and price volatility in the east coast gas market is through increased investment in developing Australia's abundant natural gas resources for new gas supply and enabling infrastructure, particularly in Victoria and New South Wales. In this context, continued market intervention - including the proposed Domestic Gas Reservation Scheme - is unlikely to achieve this objective and instead risks deterring investment to deliver new gas supply when it is needed most.

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[2] DCCEEW (December 2025) Gas Market Review - Final Report

We urge the Government to prioritise policies that attract and accelerate investment in gas development and new supply - particularly in structurally short markets - and to advance pro-investment settings and regulatory reforms that remove barriers. These measures are critical to avoiding underinvestment and ensuring sufficient future gas supply.

Please see **Appendix A** for our detailed responses to specific elements of the Draft Framework, including further issues relating to DSO variation, infrastructure constraints, DSO accrual, release valve settings, ministerial discretion, and the need for a policy framework that enables new supply, as well as recommendations to mitigate unintended consequences while preserving the Government's objectives.

We thank the Government for the opportunity to contribute to this consultation and would welcome the opportunity to work closely with Government to refine the Draft Framework so that it delivers domestic gas security while preserving the long-term investment conditions necessary to sustain supply.

Should you have any questions or wish to discuss our submission further, please contact John Williams, Government Affairs and Regulatory Approvals Manager, on +61 412 422 636 or via email at john.w@inpex.com.au.

Yours sincerely

Tetsu Murayama
Managing Director, Country Chair Australia

Appendix A
Feedback on Draft Design Framework

INPEX has focussed on seven (7) key elements regarding the Draft Framework for the proposed Domestic Gas Reservation Scheme.

1. Foundational Contracts and Sovereign Risk
2. DSO Variation – Exhausting all alternatives
3. DSO Variation – Infrastructure Constraints
4. DSO Accrual
5. Over Supply, Release Valve and Review Mechanism
6. Discretion and Ministerial Decision-making
7. Other: Systemic risk to investment and the need for a policy framework that drives new gas supply

1. Foundational Contracts and Sovereign Risk

INPEX has significant concerns with the Draft Framework's proposed treatment of foundational LNG contracts and the associated implications for sovereign risk and future investment.

Under the Draft Framework, LNG export contracts renewed or extended after 22 December 2025 would be treated as "new", without recognising that they represent the continuation of long-standing foundational offtake agreements that underpinned original investment decisions. This approach introduces a retrospective change to the conditions on which capital was committed, creating material uncertainty for existing projects and eroding confidence in Australia's policy stability.

The Framework similarly fails to distinguish between genuinely new sources of supply and new sales contracts entered into by existing projects in respect of established production capacity. Applying the Scheme to such contracts would extend its scope beyond its intended purpose, further exacerbating sovereign risk concerns and undermining established commercial arrangements. Ichthys LNG contracts, for example, explicitly contemplate term extensions as part of their design, and any departure from these arrangements' risks being perceived by LNG buyers as Government interference in established contractual rights.

These concerns must be considered in the context of the scale, complexity, and long-term nature of LNG investment. The Ichthys LNG project was sanctioned in 2012 on the clear expectation that production would continue to supply foundation customers in Japan and Taiwan under long-term contractual arrangements. Since FID, total capital investment has increased to approximately AUD $76 billion, and a significant portion of development debt remains outstanding. Long-term contracts are fundamental to financing such capital-intensive, multi-decade projects, and Ichthys LNG would not have proceeded without this framework.

In this context, treating foundational contracts as "new" upon renewal would materially alter the project's economic basis, including its ability to service outstanding debt and recover invested capital. More broadly, it represents a shift in the investment compact and introduces avoidable sovereign risk at a time when continued capital deployment in long-life energy infrastructure remains critical.

The resulting deterioration in project economics has implications beyond existing operations. Policy settings that weaken expected returns or introduce uncertainty around future obligations risk delaying, deferring or preventing investment decisions, contributing to underinvestment in new supply. This includes sustaining and backfill developments required to maintain production over the life of existing assets, as well as potential expansion opportunities. Where such investments are discouraged or rendered less viable, production is likely to decline over time, with adverse consequences for both domestic and export markets.

These impacts are particularly material for a project such as Ichthys LNG, which differs from many Australian LNG developments in its scale, remote location, infrastructure requirements, and cost structure. The viability of further investments—including backfill supply from areas such as Cash Maple and the Beetaloo Sub-basin, as well as potential expansion opportunities—depends on stable contractual and policy settings that preserve commercially viable returns. Absent this stability, there is a material risk that such investments will not proceed.

More broadly, policy settings that interfere with long-term export reliability and commercial contracting send a negative signal to investors and trading partners, particularly in the context of long-life LNG developments that rely on stable and predictable frameworks. These risk undermining Australia's reputation as a reliable energy supplier and its position as a globally competitive investment destination.

Recommendation:

INPEX recommends that the Framework be amended to explicitly recognise foundational LNG contracts and sustaining or backfill developments as continuing to qualify where renewed in the ordinary course, including renewals occurring after 22 December 2025. This recognition should also extend to new sales contracts entered into by existing LNG projects in respect of established production capacity, including volumes from facilities such as Ichthys LNG that form part of the original investment framework and ongoing operations, recognising that such developments remain economically and operationally integrated with existing projects and do not constitute standalone new sources of supply.

This distinction is critical to ensure the Scheme remains appropriately targeted at genuinely new sources of supply, rather than retrospectively applying to existing capacity, integrated expansion, or investments required to sustain production. Without such clarity, the Scheme risks contributing to underinvestment in sustaining and incremental supply, accelerating production decline, and reducing long-term gas availability for both domestic users and international trading partners.

2. Domestic Supply Obligation (DSO) Variation – Exhausting all alternatives

While the Draft Framework adopts a prospective approach and excludes existing LNG contracts entered into prior to 22 December 2025, it simultaneously introduces a new obligation requiring the DSO to be satisfied through third-party supply and swap agreements.

For INPEX, this new obligation significantly alters the original conditions under which the Ichthys LNG Project was sanctioned and does not adequately consider the project's geographic location nor the characteristics of the associated domestic market.

The Draft Framework appears to extend the application of the DSO to Ichthys LNG in a manner that effectively links it to the broader east coast gas market. However, and as outlined in our previous submissions to the Gas Market Review, INPEX does not operate within the east coast gas market. We do not procure domestic gas for export, nor maintain a domestic gas portfolio that could be utilised to meet future DSO obligations under the Domestic Gas Reservation Scheme.

Consequently, Ichthys LNG is structurally and materially different from other LNG exporters in its capacity to contribute to any east coast domestic gas supply requirements. We are concerned that these fundamental differences have not been appropriately considered in the Draft Framework, potentially leading to disproportionate and discriminatory impacts for Ichthys LNG.

These potential discriminatory impacts of the Draft Framework include:

- Existing infrastructure constraints limit Ichthys LNG's ability to deliver gas beyond volumes supplied under the Ichthys LNG arrangement with Power and Water Corporation (**PWC**).
- As Ichthys LNG has no physical capacity to deliver additional gas into infrastructure connecting directly to the east coast gas market – it cannot practically supply incremental domestic volumes.
- INPEX does not currently hold a domestic gas portfolio that could be utilised to fulfill any future east coast domestic supply obligations.
- Any requirement for Ichthys LNG to fulfill a domestic gas obligation beyond existing arrangements would likely necessitate contracting with Gladstone-based LNG producers, materially constraining INPEX's commercial options and placing it at an inherent negotiating disadvantage.
- The complexities and difficulties in negotiating and agreeing LNG/domestic gas location or volume swaps are onerous and should not be underestimated. Such transactions are also uncommon in the industry, and these challenges would only be exacerbated where negotiating parties are not on an equal commercial footing. Negotiations with LNG buyers in respect of swap arrangements are inherently complex, particularly in aligning delivery timing and volumes with existing contractual obligations.
- The significantly higher cost structure associated with LNG production, compared with onshore domestic gas production, further undermines the commercial viability of such arrangements. This creates an additional disadvantage for Ichthys LNG relative to LNG facilities with direct access to the east coast domestic market.

As is readily apparent, Ichthys LNG's remote location, coupled with the relatively small size of the Northern Territory domestic market, make location-based swap arrangements within the Northern Territory unviable.

Collectively, these factors mean that Ichthys LNG is structurally and materially in a considerably different position in its ability to contribute to east coast domestic gas reservation obligation when compared with east coast LNG exporters. We request that these differences be recognised and carefully addressed in the design of Domestic Gas Reservation Scheme to avoid unintended, inequitable outcomes that would undermine investment confidence.

It bears repeating that INPEX and Ichthys LNG already play a significant role in underpinning domestic energy security in the Northern Territory. Through INPEX's arrangement with PWC, Ichthys LNG effectively supplies gas to cover shortfalls in the Northern Territory domestic gas market and to ensure continuity of electricity generation in Darwin. Although initially conceived as an emergency-only gas supply mechanism, since 2021 the agreement has been repeatedly utilised over extended periods to mitigate disruptions to Darwin's electricity generation caused by supply constraints at ENI's Blacktip project. Most recently, Ichthys has been supplying gas volumes equivalent to approximately 50 per cent of the Northern Territory's daily domestic gas demand.

Against this backdrop, we are concerned that the Draft Framework may impose additional domestic gas obligations on Ichthys LNG without fully recognising the project's unique circumstances and existing commitments. We are particularly troubled with how ministerial discretion would be applied, and whether due consideration would be given to Ichthys LNG's remote location and the established arrangements that already support the Northern Territory's energy needs.

Recommendation:

INPEX recommends that the Draft Framework be revised to ensure that DSO obligations are applied in a manner that reflects project-specific circumstances, including geographic location, infrastructure constraints, and market structure. Within this context, Northern Territory-based projects should not be required to procure or swap third-party gas, or otherwise enter into non-commercial arrangements, to address supply constraints in separate and unconnected domestic markets. The DSO compliance mechanism should also be limited to options that are commercially viable and operationally feasible for the project concerned.

3. DSO Variation – Infrastructure constraint

The Draft Framework provides for ministerial discretion to approve a DSO variation where entities demonstrate an inability to physically supply gas due to infrastructure constraints. However, it also requires LNG exporters to demonstrate they are pursuing commercial arrangements to overcome these constraints over the medium to long term.

While it is encouraging that the Draft Framework recognises infrastructure constraints as a barrier to domestic gas supply and subsequent DSO, the expectation that LNG exporters overcome these through commercial arrangements is highly concerning and underestimates the scale of investment and market requirements in the Northern Territory.

As outlined in our March Gas Market Review submission, Ichthys LNG is subject to inherent physical and commercial limitations that restrict its capacity to supply gas to the east coast domestic market. Existing pipeline infrastructure and operating pressure constraints limit gas delivery to power stations in Darwin via PWC, while capacity constraints on the Amadeus and Northern Gas Pipelines restrict additional flows to the east coast.

Investment in new infrastructure depends on viable commercial foundations. Gas supply developments depend on customer commitments to purchase gas on viable commercial terms (including volume and price), while infrastructure expansion and construction require transportation agreements backed by firm customer demand under commercially sustainable conditions.

For example, additional pipeline infrastructure to transport sufficient volumes of gas from the Beetaloo Sub-basin to the east coast would require a multi-billion-dollar capital investment.

Commercial viability of the Beetaloo would be further constrained by market conditions. Given the magnitude of the investment required in additional pipeline infrastructure and compression, INPEX estimates a pipeline tariff to transport gas from the Beetaloo Sub-basin to the east coast market of approximately AUD $5–$8/GJ; with east coast gas prices around AUD $8/GJ, this implies a wellhead price of AUD $0–$3/GJ - well below development cost. Absent firm, commercially viable customer commitments, such investment is unlikely to proceed. Combined with the Draft Framework's objective of an oversupplied market, Beetaloo development would be unlikely to be viable solely for east coast supply.

The Draft Framework should explicitly recognise these commercial realities. Current drafting lacks clarity on expectations and inappropriately places the burden of overcoming structural infrastructure constraints on LNG exporters without recognising the underlying economics.

Recommendation:

INPEX recommends the Draft Framework be amended to clarify that infrastructure constraints are a valid basis for DSO variation, without any expectation that LNG exporters develop or facilitate infrastructure absent commercially viable customer demand (including price and volume). The Draft Framework should explicitly recognise that new supply and transport infrastructure investment is contingent on such demand and cannot be assumed or indirectly mandated through DSO requirements.

The Government should also consider options to underwrite or co-invest in enabling infrastructure—including pipelines, compression and storage—to improve market flexibility and reduce regional constraints.

4. DSO Accrual

INPEX notes the Draft Framework proposal that any variance to a DSO, whether arising in advance of the regulatory period may (or through the Release Valve Mechanism – must) be accrued in subsequent years. This proposed (capped) accrual is outlined as intending to reduce incentives that could see exporters overuse flexibility mechanisms. Accrual noted as capped at 30 per cent initially and proposed Australian Energy Regulator (AER) to review and finalise a capped level following the Domestic Gas Reservation Scheme finalisation.

DSO accrual presents a significant concern, as an entity may be demonstrably unable to meet the DSO and therefore warrant a variance being issued - due to existing contractual commitments, insufficient infrastructure, the absence of viable commercial alternatives, or a combination of these factors - yet still be subject to accumulating DSO obligations over future periods.

The accrual of any variance to a DSO is unnecessary and appears to be penalising those entities that are unable to meet the DSO for the reasons outlined above. Its impact or need for an over-supplied domestic market is also problematic (more detail further below).

This creates a material and ongoing liability that may ultimately be incapable of being discharged, particularly where the underlying constraints remain unchanged. While ministerial discretion exists to waive the accrual of volumes, this mechanism introduces a further layer of uncertainty and risk due to its reliance on discretionary intervention.

In addition, the need to consider potential DSO accruals in future investment decisions is likely to have a significantly detrimental effect. This may delay or deter investment altogether, producing an outcome contrary to policy objectives of encouraging investment in future gas developments. INPEX does not support the accrual of DSO obligations, particularly where future liabilities cannot be reasonably consumed or transported.

Recommendation:

INPEX recommends the Draft Framework be amended to remove the proposed accrual of DSO variances. Accrual should only apply in exceptional circumstances where a material domestic gas shortfall is expected in the near term and the obligated entity has the demonstrated capacity to supply. This would ensure the mechanism remains targeted, avoids creating unmanageable future liabilities, and supports continued investment in gas development.

5. Over Supply, Release Valve and Review Mechanism

Sustained Over Supply - the potential impact of a 20% DSO

Based on Ichthys LNG's annual nameplate capacity of 463 PJ[3], a 20 per cent DSO would equate to approximately 93 PJ. Applying the same requirement to Darwin LNG's (**DLNG**) annual nameplate capacity of 192 PJ[3] would contribute an additional 38 PJ, resulting in a combined DSO of approximately 131 PJ from Northern Territory LNG exporters.

This outcome is fundamentally misaligned with market reality. The Northern Territory's domestic gas market uses around 24 PJ per annum[4]. Accordingly, a combined DSO of 131 PJ would be more than five (5) times total domestic demand, creating a material oversupply.

This issue is not unique to the Northern Territory. A similar outcome arises on the east coast when the DSO is considered against current supply levels. With combined annual Queensland LNG annual nameplate capacity of around 1,316 PJ[3], a 20 per cent DSO would add approximately 263 PJ to the domestic market each year.

Against the total east coast demand of approximately 369 PJ[5] per annum, this would result in the DSO covering approximately 70 per cent of east coast demand. This would materially exceed the Draft Framework's stated objective of maintaining supply at approximately 110 per cent of demand.

These figures underscore that a 20 per cent DSO—whether applied in the Northern Territory or the east coast market—fundamentally exceeds the domestic market's ability to absorb additional volumes. Imposing such requirements would overwhelm otherwise balanced markets and introduce severe and persistent distortions.

The DSO volumes proposed under the Draft Framework therefore appear materially disproportionate to market capacity. INPEX also notes its understanding that the 2026 Gas Statement of Opportunities does not forecast material supply shortfalls in the east coast domestic market until at least 2030. This calls into question the justification for implementing the Domestic Gas Reservation Scheme and DSO from 1 July 2027.

Imposing a DSO of this magnitude would have materially adverse consequences, distorting market price signals, weakening the commercial foundations required for new gas supply investment, and displacing existing domestic producers. In practical terms, it risks fundamentally undermining normal market function and destabilising the domestic gas sector altogether.

INPEX considers that the Draft Framework does not adequately account for existing domestic supply and would introduce significant surplus volumes upon implementation. This would be further compounded by any accrual of DSO obligations over time. Even the proposed 110 per cent over supply target appears materially higher than the requirements of most, if not all, Australian domestic gas markets.

DSO – obligation to supply

INPEX strongly opposes the Draft Framework's requirement that LNG exporters supply gas to satisfy their DSO obligations. The need to supply rather than offer, on purely commercial terms, implies that INPEX and LNG exporters may be compelled to enter into non-commercial arrangements to meet this DSO obligation.

Coupled with the Draft Framework's stated objective of maintaining a persistent domestic oversupply, this approach risks distorting market pricing dynamics and influencing buyer behaviour. In this environment, domestic gas buyers are likely to defer long-term

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[3] Australian LNG Projects (million tonnes per annum capacity converted to PJ (1mt = 52PJ))

[4] 2026-gas-statement-of-opportunities.pdf (Figure 46)

[5] 2026-gas-statement-of-opportunities.pdf (Figure 20)

contracting decisions, opting instead to wait for over-supply conditions to emerge so they can leverage stronger negotiating positions and benefit from the downward pressure on prices that typically accompanies an over-supplied market.

An over supplied domestic gas market has further repercussions in the longer term, likely to adversely affect future gas developments in Australia. Sustained oversupply can distort price signals and erode the commercial incentives required to support new investment. Over time this would most likely also crowd out current domestic gas producers.

Recommendation:

INPEX recommends the Draft Framework be amended to remove the application of a fixed 20 per cent DSO and a standing 110 per cent oversupply target. Instead, DSO settings should operate on an "up to" and "as needed" basis, calibrated to actual market conditions.

While the Draft Framework does note annual DSO flexibility – this appears explicitly linked to variance requests from regulated entities (LNG exporters) rather than reflecting actual domestic supply and demand. This could be implemented through a Domestic Supply Obligation Trigger Mechanism (DSOTM), whereby obligations are only activated when clearly defined supply shortfall indicators are met.

INPEX recommends the obligation to supply a DSO be replaced with a requirement to demonstrate a DSO has been offered on commercial terms.

Release Valve and Review / Variation Mechanisms

As outlined, the Draft Framework premise of a 20 per cent DSO and sustained level of oversupply (110 per cent), presents significant and persistent risk to the long-term functioning of Australia's domestic gas market

The Draft Framework treats oversupply as an intermittent condition requiring exception management, however, in practice, oversupply is a structural and likely enduring outcome of the scheme's design.

INPEX notes that the mechanisms proposed to manage oversupply do not align well with how gas markets operate in practice. While the Draft Framework recognises the risk of significant oversupply, the management tools available to address this risk are infrequent, conditional, and don't actually remove excess volumes from the market.

The annual DSO variation process is constrained, relying on regulated entities initiating variation requests and the timing of the regulatory process – from variance application to assessment to approval by ministerial discretion distinctly. This approach is not compatible with the fast paced, continuously changing gas market where sellers and buyers make decisions based on commercial signals, and not annual regulatory cycles.

The proposed Release Valve Mechanism is also not a true pressure relief mechanism given activation is contingent on multiple conditions, including assessments of market adequacy, compliance with minimum liquidity requirements, and annual regulatory approval processes. Further, any release triggered for a given year to relieve oversupply is compounded in future years due to the Release Valve Mechanism requirement that any released volumes must be accrued into future periods and held as an ongoing obligation by an LNG exporter.

By contrast, the existing policy mechanism the Australian Domestic Gas Security Mechanism (ADGSM) was designed as a targeted, trigger-based intervention, that allowed the Government to respond dynamically to emerging supply shortfalls based on observable market conditions, rather than imposing fixed, ongoing obligations regardless of demand. Whilst we recognise the ADGSM will be succeeded by the establishment of the Domestic

Gas Reservation Scheme, INPEX believes that the ADGSM provided a more flexible and proportionate approach, enabling timely intervention without distorting the market.

Recommendation:

INPEX recommends the Draft Framework is reworked to align with a similar framework to the ADGSM, allowing for more regular monitoring and forecasting of possible gas shortfalls by the regulator, and providing the minister with greater flexibility to trigger the release valve or other review mechanism in response to actual supply-demand levels and short term forecast levels, with the ability to implement multi-year release settings rather than limiting interventions to a single year.

6. Discretion and Ministerial Decision-making

The Draft Framework introduces material uncertainty for future investment. Reliance on annual review processes and discretionary mechanisms limits visibility over future obligations, while the accrual of released volumes creates an expanding and potentially unmanageable forward liability. This is inconsistent with the long-term contracting and capital allocation required for new gas development and infrastructure.

The Draft Framework also incorporates significant ministerial discretion. While this provides flexibility in administering a complex policy, it also introduces ambiguity and reduces certainty regarding the application of the Domestic Gas Reservation Scheme. This lack of clarity affects both existing operations and future investment decisions.

Annual discretion across key elements - such as DSO variations, exemptions and export licence conditions - creates substantial uncertainty for long-term planning and capital allocation. This is particularly evident in applications for variations to meet pre-existing contractual commitments, where entities must demonstrate that no viable alternative exists. However, there is limited clarity on what constitutes an adequate demonstration, making it difficult to assess how these parameters would operate in practice for Ichthys LNG.

Broadly defined concepts, coupled with discretionary assessment, further compound uncertainty and create additional risk for current operations and future investment. Given the breadth of parameters subject to annual Ministerial discretion, investment decisions are likely to assume a default 20 per cent DSO, while pricing assumptions for any such obligations would likely be conservative, reflecting the potential requirement to supply into an oversupplied domestic gas market (potentially up to 110% of domestic consumption). This dynamic is likely to weaken project economics and discourage further gas development.

There is also a lack of clarity on which ministerial portfolio will lead decision-making. The prospect of discretional decisions by multiple ministers risks a more complex and time-consuming regulatory process, with potential delays arising from indecision. We believe the Resources portfolio is best placed to lead these decisions, reflecting the level of technical and commercial expertise required.

INPEX is actively evaluating multi-billion-dollar investments to sustain production at Ichthys LNG and significantly reduce facility emissions. These include additional onshore and offshore developments, the Bonaparte Carbon Capture and Storage project, and potential future expansion. The Domestic Gas Reservation Scheme and Draft Framework are expected to have an immediate negative impact on these considerations, as investment decisions must factor in uncertainty associated with ministerial discretion. Greater clarity on how the Scheme will be applied to existing operations and future investments is essential.

Recommendation:

INPEX recommends the Scheme's framework more clearly define how ministerial discretion can be exercised. This should include objective criteria for variations and exemptions, a single responsible decision-maker, and multi-year application of variations, to reduce uncertainty and better support long-term investment decisions.

7. Other: Systemic risk to investment and the need for a policy framework that drives new gas supply

The Draft Framework represents a fundamental shift in the commercial basis on which large-scale LNG projects such as Ichthys LNG were sanctioned. The intent to capture foundational LNG contracts at renewal makes the Scheme effectively retrospective in application and introduces a material element of sovereign risk. This undermines long-term investment certainty at a time when continued capital deployment is critical.

Requiring the diversion of LNG-equivalent export volumes into the domestic market risks materially eroding project economics. This directly affects INPEX's capacity to progress further investment in expansion, backfill and emissions reduction initiatives. INPEX is actively assessing multi-billion-dollar investments to sustain Ichthys LNG production and reduce emissions, including additional upstream developments, the Bonaparte Carbon Capture and Storage project, renewable power import, and future backfill and expansion opportunities such as Cash Maple and the Beetaloo Sub-Basin.

These investments are central to sustaining reliable energy supply, supporting Australia's trading partners, delivering emissions reductions and creating significant employment opportunities. Their progression is contingent on stable, predictable policy settings that respect foundational investment decisions and preserve commercially viable returns.

In its current form, the Draft Framework places that investment at risk. More broadly, it reflects a policy approach that is focused on redistributing existing supply rather than enabling new supply. This is a critical flaw. Sustainable improvements in domestic gas availability cannot be achieved through additional market intervention alone—particularly where that intervention weakens the investment case for new developments.

Constraining investment will ultimately reduce future supply by limiting the number of projects that proceed and slowing the development of new resources. This will increase market volatility, tighten supply-demand balances, and undermine the stated objective of improving domestic gas availability over the long term.

INPEX maintains that the most effective and durable solution is to increase gas supply through new investment, supported by efficient infrastructure—particularly in Victoria and New South Wales. Continued interventionist measures, including the proposed Domestic Gas Reservation Scheme, are unlikely to deliver this outcome and instead risk deterring capital at precisely the time it is most needed.

The Government should instead prioritise a policy framework that attracts and accelerates investment, including streamlined and timely approvals, regulatory certainty, and stable fiscal settings, while maintaining robust environmental and safety standards. This approach will better support both domestic supply outcomes and Australia's position as a globally competitive investment destination.

The cumulative effect of successive policy and fiscal changes is already weighing on Australia's competitiveness. In a global market where capital is highly mobile, increased policy uncertainty raises the hurdle for final investment decisions and places more marginal projects at risk. Without a clear and consistent shift toward investment-enabling settings, the pipeline of new gas supply required to support both domestic markets and export commitments will not materialise.