



Climate Council of Australia

Submission to: Domestic Gas Reservation Scheme – draft Design Framework consultation

Addressed to: The Department of Climate Change, Energy, the Environment and Water

Submission from: Climate Council of Australia Ltd
8 Short Street, Surry Hills, NSW 2010
Tel: 02 9356 8528
Email: info@climatecouncil.org.au

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About the Climate Council

Climate Council is Australia's own independent, evidence-based organisation on climate science, impacts and solutions.

We connect decision-makers, the public and the media to catalyse action at scale, elevate climate stories in the news and shape the conversation on climate consequences and action, at home and abroad.

We advocate for climate policies and solutions that can rapidly drive down emissions, based on the most up-to-date climate science and information.

We do this in partnership with our incredible community: thousands of generous, passionate supporters and donors, who have backed us every step of the way since they crowd-funded our beginning as a non-profit organisation in 2013.

To find out more about the Climate Council's work, visit www.climatecouncil.org.au.

The Climate Council supports the introduction of a national reservation policy

The Climate Council welcomes the opportunity to provide feedback on the draft Design Framework for the Domestic Gas Reservation Scheme. This consultation is timely and important: Australia is deeply exposed to global fossil fuel volatility, and the impacts of global price shocks on Australian households and businesses are being felt right now. The impact of global volatility in Australia, while transient, is revealing structural problems.

Australia has a gas export problem, not a gas supply problem: Australia produces far more gas than it uses, yet exports the majority. These exports expose Australian households and businesses to volatile global markets and the price shocks that follow international instability. While the permanent transition away from fossil fuels to cheaper and more reliable renewable power is the best remedy to the exposure, in the short term, it is reasonable to prioritise our domestic market before exports.

The Climate Council supports the introduction of a national domestic gas reservation policy, designed to guide the necessary phase out of gas. Gas is a polluting fossil fuel whose domestic demand has declined every year since 2020, and the falling cost of renewables will continue to drive that decline. To limit global warming, the production, export and use of gas must all decline.¹ This context is particularly important when considering industry warnings of impacts on investment or new gas supply: Australia has countless lower risk and lower cost options to meet its energy needs without more gas, and the scheme should not be designed to protect hypothetical future gas investment.

Australia has more than enough gas from existing sources to meet its needs through the transition without opening new gas basins. A well-designed scheme should therefore support Australia's managed exit from gas, not entrench long-term dependence on it. In particular, the final scheme must:

1. **Avoid incentivising new gas basins** – compliance pathways relying on new, not-yet-sanctioned extraction deliver no near-term gas while risking significant climate damage, and should be removed.
2. **Set the supply obligation to demand** – a 20% obligation far exceeds forecast shortfalls and risks locking in gas; it should be set and adjusted annually by an independent authority based on the real demand outlook.
3. **Include a demand-side compliance option from the outset** – exporters should be able to lower their obligation by funding verified, durable cuts in

¹ SEI, Climate Analytics, & IISD (2025) [The Production Gap Report 2025](#). Stockholm Environment Institute.

domestic gas demand through electrification and fuel-switching, preserving finite gas for industries that genuinely need it.

4. **Constrain ministerial discretion** – powers to vary or cancel an obligation should be bound by defined legal tests, subject to binding independent review, and fully transparent.
5. **Apply nationally, with flexibility for different markets** – the scheme should apply across Australia, with the supply obligation for each market (East Coast, Western Australia and the Northern Territory) set annually by an independent authority to reflect each market's distinct demand outlook and features.

These priorities are set out in full in the attached joint position statement, which the Climate Council has signed alongside a broad coalition of organisations and which forms part of this submission. We endorse its analysis and recommendations.

Conclusion

The decisions made through this process will shape Australia's gas market for decades. The Climate Council urges the Government to design a scheme that prioritises Australians' energy needs, protects them from price volatility, reduces our reliance on this polluting fossil fuel, and accelerates the transition to clean, affordable and secure energy.