



Submission to the Australian Government

Domestic Gas Reservation Scheme - Draft Design Framework

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1. Introduction

Darwin Major Business Group (DMBG) welcomes the opportunity to provide feedback on the Australian Government's **Domestic Gas Reservation Scheme - Draft Design Framework**.

DMBG supports the Australian Government's objective of improving domestic gas availability and strengthening Australia's long-term energy security. Reliable and competitively priced gas remains critical to electricity generation, manufacturing, minerals processing, food production, critical infrastructure, defence capability and many other energy-intensive industries.

As the Northern Territory's peak business organisation representing many of the Territory's largest employers, investors and major project participants, DMBG's interest extends beyond gas production itself. Our focus is ensuring the final framework supports Australia's long-term economic resilience, investment competitiveness, productivity and industrial development while recognising the unique circumstances of Northern Australia.

The Northern Territory is home to existing LNG operations and the Beetaloo Basin, one of Australia's most significant emerging gas provinces. Any domestic gas reservation framework should therefore increase domestic gas supply without discouraging investment in new production, enabling infrastructure or future gas-dependent industries that will strengthen Australia's long-term industrial capability.

The scheme should not only respond to immediate east coast supply pressures. It should also support the development of new supply, new infrastructure and new value-adding industries consistent with the Commonwealth's **Future Made in Australia** agenda.

2. Northern Territory Context

The Northern Territory gas market differs fundamentally from the eastern Australian market.

Key characteristics include:

- Northern Territory domestic gas demand is relatively small.
- LNG export volumes significantly exceed local domestic demand.

- Existing pipeline infrastructure limits the quantity of gas that can currently be transported to southern domestic markets.
- Major gas developments underpin investment, employment, infrastructure development and government revenue across Northern Australia.

Current publicly available industry data illustrates these differences.

Measure	Volume
Northern Territory domestic gas demand	24 PJ per annum
Potential Domestic Supply Obligation (20%)	134.8 PJ per annum
Current southbound pipeline capacity	32.9 PJ per annum

A potential Domestic Supply Obligation of approximately **134.8 PJ per annum** would be:

- more than **5.6 times** current Northern Territory domestic gas demand; and
- more than **four times** the current southbound pipeline capacity.

These figures demonstrate that Northern Australia operates under fundamentally different market conditions from the eastern states.

A key policy question therefore arises:

How should a domestic reservation obligation operate where reserved gas materially exceeds both local domestic demand and the available infrastructure to transport that gas to other Australian markets?

DMBG considers this question should be addressed explicitly in the final framework.

3. DMBG's Position

DMBG supports the policy objective of improving domestic gas availability and energy security.

However, the final framework should be guided by six principles.

1. The scheme should increase Australia's total domestic gas supply rather than simply reallocating existing supply.
2. The scheme should preserve investment certainty for existing and emerging gas provinces.
3. The scheme should recognise genuine infrastructure constraints, particularly in Northern Australia.
4. The scheme should not prejudice opportunities to establish new gas-dependent industries in the Northern Territory.
5. The scheme should align with broader Commonwealth objectives including Future Made in Australia, national productivity, sovereign capability, regional development and economic resilience.

6. The scheme should recognise the unique characteristics of Northern Australia's gas market and avoid unintended consequences arising from applying a uniform national framework to fundamentally different operating environments.

4. The Northern Territory Should Be Recognised as a Future Industrial Energy Province

The draft framework is primarily directed towards ensuring LNG exporters make gas available to the domestic market; DMBG supports that objective.

However, domestic gas policy should also recognise that gas can create significant national value when used to establish new industries close to the resource.

The Northern Territory should not simply be viewed as a source of gas for consumption elsewhere. It also has the potential to become one of Australia's next major industrial growth regions.

The Beetaloo Basin has the potential to support:

- minerals processing;
- critical minerals value-adding;
- fertiliser production;
- ammonia, methanol and other gas-based manufacturing;
- low-emissions fuels;
- defence-related industry;
- advanced manufacturing;
- data centres and other energy-intensive industries; and
- industrial development associated with Middle Arm and other strategic infrastructure.

These industries would strengthen Australia's sovereign capability, regional employment, Indigenous economic participation, export diversification, supply chain resilience and long-term productivity.

Policy settings should preserve sufficient flexibility to allow gas to be utilised where it creates the greatest long-term national economic value.

Any policy designed to encourage additional gas supply to eastern Australia should not inadvertently constrain the development of nationally significant industries in Northern Australia.

5. Reservation Policy Should Encourage New Supply

DMBG submits that the most important long-term policy objective should be to increase Australia's total gas supply.

If the scheme is perceived as increasing sovereign risk or reducing commercial certainty, investment decisions relating to new production, pipelines, processing facilities and downstream manufacturing may be delayed.

This outcome would be contrary to the policy's stated objectives.

The Beetaloo Basin and other emerging gas opportunities require substantial long-term private investment and investment decisions depend upon stable, predictable and commercially workable regulatory settings.

DMBG therefore supports the draft framework's recognition of the importance of regulatory certainty and encourages the Australian Government to ensure the final scheme provides enduring confidence for investors while increasing domestic gas supply.

DMBG also considers there is merit in examining whether the Beetaloo Basin, as an emerging gas province requiring substantial upfront investment, should be grandfathered from domestic gas reservation obligations during its establishment phase. Unlike mature gas-producing regions where production and infrastructure are already in place, the Beetaloo requires significant private investment in upstream development, pipelines, processing facilities and common-user infrastructure before projects reach commercial scale.

A time-limited grandfathering arrangement, potentially until 2040 and subject to periodic review, would help improve investment certainty during this critical establishment period. The objective would not be to avoid domestic supply obligations indefinitely, but to maximise Australia's long-term domestic gas supply by enabling the industry to reach commercial maturity and establish the infrastructure required to support future production and downstream industry.

6. Infrastructure Constraints Must Be Recognised

The draft framework appropriately acknowledges that infrastructure constraints may limit an entity's capacity to physically supply gas into particular domestic markets and this issue is particularly relevant in Northern Australia.

Unlike established eastern Australian gas regions, Northern Australia currently requires additional pipeline capacity, processing facilities, storage, logistics infrastructure, workforce accommodation, water infrastructure and industrial precincts to support both increased production and downstream manufacturing.

Flexibility mechanisms recognising genuine infrastructure constraints should therefore not simply operate as temporary exemptions, they should form part of a broader national strategy that supports investment in enabling infrastructure and future industrial development.

The interaction between reservation policy and nationally significant infrastructure investment deserves explicit consideration in the final framework.

7. Aligning Reservation Policy with Future Made in Australia

The Commonwealth's **Future Made in Australia** agenda seeks to strengthen Australia's industrial capability, increase domestic value-adding and improve national productivity.

Reliable, affordable and secure gas supply will remain essential to achieving those objectives during the energy transition.

The Beetaloo Basin represents one of Australia's most significant emerging gas resources. Its comparatively low naturally occurring carbon dioxide content, scale and proximity to planned industrial precincts provide an opportunity to support both domestic energy security and future industrial development.

Accordingly, the reservation framework should be assessed not only against short-term gas price outcomes, but also against its capacity to support:

- national productivity;
- manufacturing competitiveness;
- critical minerals processing;
- sovereign industrial capability;
- defence industries;
- regional development;
- Indigenous economic participation;
- investment confidence; and
- Future Made in Australia objectives.

A well-designed framework can advance each of these objectives simultaneously.

8. Recommendations

DMBG recommends that the Australian Government:

Recommendation 1

Design the scheme to increase Australia's total domestic gas supply rather than simply reallocating existing supply.

Recommendation 2

Ensure the final framework preserves investment certainty for emerging gas provinces, including the Beetaloo Basin.

Recommendation 3

Explicitly recognise that Northern Australia has the potential to develop new gas-dependent industries and ensure reservation policy does not prejudice those opportunities.

Recommendation 4

Ensure Domestic Supply Obligation flexibility mechanisms appropriately recognise genuine infrastructure constraints, particularly where significant enabling infrastructure is still required.

Recommendation 5

Assess the framework against broader national interest criteria including productivity, energy security, industrial competitiveness, regional development, Indigenous economic participation and Future Made in Australia.

Recommendation 6

Consult directly with Northern Territory industry, major project proponents and potential downstream gas users before finalising legislation and subordinate instruments.

Recommendation 7

Undertake a dedicated assessment of the economic, infrastructure and investment implications of the proposed framework for Northern Australia, recognising the unique characteristics of the Northern Territory gas market.

Recommendation 8

Investigate whether grandfathering arrangements for the Beetaloo Basin during its establishment phase would better support Australia's long-term domestic gas supply objectives.

The Australian Government should undertake a dedicated assessment of whether a time-limited grandfathering arrangement for the Beetaloo Basin during its establishment phase would better support the objectives of increasing Australia's long-term domestic gas supply while enabling investment in new production, common-user infrastructure and downstream industry.

In undertaking this assessment, the Government should consider whether a grandfathering period (potentially until 2040 and subject to periodic review) would improve investment certainty during the industry's establishment phase, facilitate the development of nationally significant infrastructure and maximise Australia's long-term domestic gas supply by enabling the Beetaloo Basin to reach commercial scale.

9. Conclusion

DMBG supports the Australian Government's objective of improving domestic gas availability while strengthening Australia's long-term energy security.

However, the final framework must avoid unintended consequences that discourage investment or limit Australia's future industrial opportunities.

The Northern Territory has the potential to play a nationally significant role in Australia's future energy and industrial landscape. The Beetaloo Basin and associated infrastructure can support domestic energy security while also enabling new manufacturing, critical minerals processing, defence industries and other high-value economic activity.

With appropriate policy design, the Domestic Gas Reservation Scheme can achieve three complementary objectives:

1. improve domestic gas availability;
2. encourage investment in new supply and enabling infrastructure; and
3. preserve opportunities to develop new value-adding industries in Northern Australia.

DMBG respectfully encourages the Australian Government to ensure the final framework supports not only short-term domestic supply outcomes, but also Australia's long-term productivity, industrial competitiveness and national economic resilience.