Explainer: Will the proposed 'gas reservation scheme' fix Australia's gas policy mess?

February 2026

Unlimited gas exports over the past decade have increased energy prices for Australians, worsened climate change and raised little money for the public. Most gas exports pay zero royalties and Australia's petroleum tax collects less revenue than HECS.

The Albanese Government's response is a 'gas reservation scheme'. While the details are currently being negotiated, the proposal in December's Gas Market Review (GMR) report[i] looks unlikely to fix the gas policy mess.

Will the reservation scheme cut gas prices?

No. While noting that "East coast gas prices have tripled over the last decade," from $3 per gigajoule (GJ) to around $10/GJ, the GMR report has no specific goal or commitment to make gas cheaper. There is no discussion of how to reduce gas prices back below $10/GJ.

Instead, the GMR report uses meaningless phrases like "drive downward pressure on price", "increasing supplier diversity" or "delivering more affordable prices."

In other major gas exporting countries like the USA and Qatar, the domestic price of gas provided to industry and households is far below the price Australians have to pay for Australian gas.

Will the reservation scheme mean that gas companies pay more tax or royalties?

No. Australia's main tax on the gas industry, the Petroleum Resource Rent Tax (PRRT) is not mentioned at all in the GMR report. The word "royalties" appears just five times in 104 pages and is not discussed in any detail.

To be clear, there are zero royalties payable on most gas exported from Commonwealth waters, the PRRT has completely failed to collect significant revenue, and some gas companies also manage to pay zero company tax as well. For example, Santos Limited has paid zero corporate tax on a total of nearly $47 billion in sales.

Will the reservation scheme reduce gas exports?

On this simple question the GMR authors use complexity to conceal the answer:

> *"Export demand can also be fully satisfied. There is no restriction or upper limit on the amount of gas that can be exported"* (p86)
>
> *"Assuming that…export facilities are not operating at maximum capacity, there will be an opportunity cost of profit foregone for LNG export projects"* (p87)

It would be easy for the GMR authors to clarify this doublespeak and declare either 'Yes, export volumes will fall as gas is diverted to domestic users' or 'No, the policies being considered by the Government are not expected to reduce exports'.

Will the reservation scheme encourage new gas projects?

Cheaper gas makes gas companies less likely to develop new gas projects. Higher gas prices encourage new gas projects. The GMR authors again engage in doublespeak to claim both lower prices for consumers and higher gas prices for producers:

> *"[The reservation scheme would] require domestic producers to compete more vigorously on price, with increased incentives to develop reserves near to demand centres.* (p88)
>
> *"Reserving supply for the domestic market and sending clear signals that encourage production..."* (p89)

So where to?

The Government will now conduct extensive "consultations". History has shown that these consultations will be almost exclusively with gas companies and will deliver an outcome that benefits the gas industry and not the Australian public.

What would fix the gas policy mess?

Reducing gas prices, raising more revenue and reducing emissions is simple:

- **Adopt the ACTU's proposal for a straight 25% tax on gas exports.**
- **Divert uncontracted gas to the domestic market.** Whenever Australian prices are higher than that paid in a country like the US, Australia should divert some of the large quantity of gas not tied up in long run contracts to specific export customers to the domestic market. Diverting this 'uncontracted gas' does not break any contracts, harm any international reputations or create so called 'sovereign risk'. It would simply mean lower prices for Australian industry and households and lower profits for the largely foreign owned gas companies
- **Ban new gas projects.** Once some of the enormous quantity of gas that is not tied to long run export contracts is taken into account it becomes obvious that there is no 'shortage' of gas in Australia and, in turn no new gas projects are required to satisfy Australian gas demand. Placing a ban on new gas projects will free up skilled workers to build infrastructure, housing, batteries and renewables while helping Australia meet its climate targets by avoiding the large amount of 'fugitive' and 'processing' emissions from gas exports that are included in Australia's greenhouse gas inventory. Adopting these policies would demonstrate that the Albanese Government is acting in the interests of the Australian public and not the multinational gas companies that use 80% of the country's gas for export.

---

[i] DCCEEW (2025) *Gas Market Review Report.*