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COUNCIL LTD

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Department of Industry, Science, Resources (DISR) and
Department of Climate Change, Energy and Environment (DCCEEW)
Via - <https://consult.dcceew.gov.au/gas-market-review-consultation>

15 August 2025

Dear Ministers

Re: Gas Market Review Consultation Paper

The Australian Aluminium Council (the Council) represents Australia's bauxite mining, alumina refining, aluminium smelting and downstream processing industries. The aluminium industry has been operating in Australia since 1955, and over the decades has been a significant contributor to the nation's economy. The Department of Industry, Science and Resources has recently forecastⁱ that earnings for Australian exports of aluminium, alumina and bauxite are expected to rise from \$18 billion in 2025–26 to \$19 billion in 2026–27. More than \$14B of this comes from the alumina and aluminium industries, as value adding mineral processing sectors.

The industry includes six bauxite mines which collectively produce over 100 Mt per annum making Australia one of the world's largest producers of bauxite. Australia is the world's largest exporter of alumina with five alumina refineries producing around 20 Mt per annum of alumina. Australia is the seventh largest producer of aluminium, with four aluminium smelters and additional downstream processing industries including more than 20 extrusion presses. Aluminium is Australia's top manufacturing export. The industry directly employs more than 21,000 people, including 6,600 full time equivalent contractors. It also indirectly supports a further 55,000 families predominantly in regional Australia. The integrated industry contributes around \$18 B to Australia's GDP.

Aluminium is one of the commodities most widely used in the global transition to a clean energy futureⁱⁱ. It is also recognised for its importance to both economic development and low emissions transition. Aluminium use is highly correlated with GDP, so as countries urbanise, per capita use of aluminium increases. It is expected that by 2050, global demand for aluminium is expected to nearly doubleⁱⁱⁱ. While an increasing proportion will be met through recycled aluminium, there will still be a need for increased production of primary aluminium requiring a comparable increase in global bauxite mining and alumina refining rates.

The Council welcomes the release of the Gas Market Review Consultation Paper (the Paper). As each operation has unique energy arrangements, the Council will limit its comments on the Paper to a high level. Additionally, the Council draws the attention of the submissions of both the Energy Users Association of Australia (EUAA) and Manufacturing Australia (MA), where the industry has a large number of mutual members.

Industry Context

The single biggest factor in determining the location of future refining, smelting and manufacturing locations is reliable, internationally competitive, low emissions energy. Without the option of large-scale hydropower assets available to alumina, aluminium and downstream manufacturing industries in countries like Brazil and Canada, Australian assets are currently highly dependent on gas for their operations and viability; directly using more than 140^{iv} PJ of gas per annum as well as indirect consumption via the electricity market.

It is worth noting that even for very large industrial gas consumers such as an alumina refinery, the amount of gas used consumed in a year is less than that used by delivered to the combined LNG export facilities in Gladstone in a week.

Energy typically accounts for around 30-40% of the industry's cost base, and therefore it is a key determinant of their international competitiveness. Within the National Electricity Market (NEM) the Australian aluminium industry has four aluminium smelters and two alumina refineries which use 10-25% of the electricity consumed in the NEM. The alumina industry also consumes around 200 PJ of energy, predominantly as gas and coal in the refineries.

This may convert to electricity requirements of 3-5GW^v firm in the NEM and the South West Interconnected System (SWIS), depending on the technology applied in digestion and calcination. For industry, it is the delivered cost (including transmission) of energy which drives international competitiveness. The delivered energy supply requirements of the industry, can be summarised as follows:

- least cost, and at an internationally competitive level, as a minimum;
- consistent uninterrupted (firm) energy supply;
- an ability to secure sufficient energy supply under long-term contractual arrangements; and
- an ability to be compensated adequately for system services which smelters and refineries provide for the network and its stakeholders.

These outcomes need to be delivered within the framework of Australia's Paris Agreement emission targets.

Under current market-based delivery mechanisms for renewables, firming and transmission, electricity and gas costs are not internationally competitive and do not support a sustainable aluminium industry. New large scale renewable energy, firming and transmission assets to meet the needs of a decarbonising aluminium industry must be developed in a timely fashion to enable emissions associated with the industry to be reduced at scale.

Competitively priced, firming, renewable energy supply is critically important to the decarbonisation of the alumina and aluminium industry. Gas-fired generators will have a significant interim role with its inherent capability to respond quickly to manage periods of high demand as renewable energy generation, transmission and storage is developed at scale and traditional coal fired generation is retired. The cost of firming renewable energy supply is likely to be the largest differentiator of Australia's future competitiveness for electricity-intensive industries and competitively priced gas can help deliver this essential service at least cost.

While there may be opportunities to firm these new generation technologies in some periods, there is not sufficient existing gas generation capacity available to completely offset the planned coal retirements. A further factor to consider is that commercial and social licence complexities for new transmission build will challenge the ability of additional renewables generation to align with planned retirements at the necessary scale. It will be a challenge to meet future demand requirements without needing to invest in new gas generation, ensuring there is more gas available domestically, and potentially increasing the price of electricity for market customers.

Decarbonisation of the aluminium sector will rely heavily on the availability of large-scale, competitive, firming, renewable energy. A significant investment will be required in low carbon firming. While the Council supports measures to fast-track investment and delivery, significantly more capacity will be needed in the long term. While the industry consumes gas in its aluminium smelters and extrusion operations, the largest use is in alumina refineries, located in both the east and west coast gas markets. The Council believes that gas will have a necessary bridging role in lowering carbon emissions from refineries in the short-medium term, while low emissions alternatives are further developed and rolled out in the future.

Consultation Questions

Supply, security and trade

1. How effective are the existing instruments in ensuring sufficient supply of natural gas for Australia's domestic gas market, including impacts on the exploration and development of new gas resources? Please provide detail.

The industry has experience operating under the Western Australian Domestic Gas Reservation Policy for almost 15 years. This policy has helped provide domestic market security to the alumina industry^{vi} in Western Australia and demonstrates the mutual value which can be created between the mineral processing industry and its energy suppliers with supportive policy settings. Australia should adopt a strategic national approach to supplying gas to its manufacturing sector, as many of its competitors have. Noting the Western Australian arrangements are being reviewed with a Parliamentary Inquiry due to report in November, the underlying policy position of domestic reservation (with timely and transparent reporting and compliance mechanisms) is sound. Under a new strategy, it would be appropriate in the east coast market to transition from the ADGSM to some form of prospective gas reservation policy, as one part of the Government's strategic considerations.

The Council recognises that the construction of the three LNG export facilities in Gladstone as well as moratoria on gas exploration in some states, has fundamentally changed the gas market with the east coast increasingly reliant on Queensland gas. In addition to measures to reduce demand, a range of reforms could address supply concerns including increased diversity of sellers, reserving adequate gas to meet domestic requirements (which may need incremental sources of gas), and the removal of physical congestion, on domestic pipelines, in order to deliver internationally competitive outcomes for consumers. A market with inadequate gas supply will continue to track volatile international LNG pricing (less netback) and is unlikely to achieve the Government's policy aims. State and Federal collaboration is needed to resolve concerns around diversity of supply. The proposed differentiated approach for small producers in the Mandatory Code of Conduct should help bring increased competition and diversity to the domestic market.

2. Have the reforms affected the competitiveness of Australia's LNG export industry, investment reputation or international reputation for quality and reliability? If yes, please provide detail.

Industry has called for gas market reforms for more than a decade. The Council and its members have sought an efficient, effective and deep Australian domestic gas market. The inherent systemic failures in the existing east coast gas market currently do not support the delivery of adequate supply at reasonable prices. While the Western Australian market has had a 15% domestic reservation policy in place for almost 20 years, that too has come under pressure in light of forecast shortages in the late 2020s, and again in the 2030s.

The Council recognises that gas policy needs to consider Australia's role in regional energy security, however, this needs to be better balanced with the significant wider benefits of reliable, affordable supply to domestic consumers. Industrial consumers often use domestic energy supply to produce export goods. In the case of aluminium, this production also has a regional security implication given the criticality of aluminium in many technology and defence applications.

In 2022, Council members which sought to recontract for gas saw prices increase by up to 300% compared to prices in 2021. This is not sustainable noting that energy typically accounts for 30-40% of the industry's cost base and therefore is a key determinant of their competitiveness. Without changes to gas policy to alleviate price pressure on domestic consumers, unsustainable will become unviable.

In December 2022, the Prime Minister announced a suite of measures aimed at mitigating the impacts of predicted energy price spikes caused by Russia's illegal invasion of Ukraine and the consequent pressure on global energy markets. Since the intervention of December 2022, members of the Council have continued to be challenged in accessing gas contracts at competitive prices due to perceived uncertainty in the market.

3. *How might the instruments be improved to better achieve the Review's objective?*

Major LNG exporters have been able to obtain exemptions to many of the introduced policies in the preceding years which has allowed them to continue to operate outside of the clear outcomes that these policies and instruments have sought to achieve. Instruments that either incentivise exporters to retain gas domestically or limit their ability obtain exemptions to policies would may help to achieve the Review's objectives

4. *Are there alternative policies that would secure gas for Australian consumers while maintaining a strong LNG export industry?*

The Council would suggest that consideration be given to a "use it or lose it" approach to gas field access.

The Council would suggest consideration be given to a domestic benchmark being developed that is disconnected from the ACCC LNG Netback. The LNG Netback was developed in a time where the LNG market was still being established, and an equivalency measure was required. As time has gone on and markets have changed, the usefulness of this benchmark has now diminished as external customers are willing to pay more for Australia's gas and domestic customers struggle to remain viable at these international prices.

Contracting and bargaining power imbalances

1. *Has the Expression of Interest (EOI) and offer process in the Code and HoA respectively been effective?*

a. *To what extent have these instruments helped address bargaining power imbalances?*

b. *Have these instruments produced any unintended consequences?*

Council Members report challenges in concluding gas supply agreements even if price is agreed, due to a requirement to bear a disproportionate share of risks, for example:

- restricting the ability for gas buyers to manage their portfolio through gas sales or swaps to other gas consumers, thereby reducing the volume of transactions in the active secondary gas markets;
- requiring liability caps that are substantially in favour of the seller and uncapped liability from gas buyers;
- requiring credit support well above what could be considered reasonable, often requiring up to 1 year's support despite payment terms of 30 days or less;
- taking little or no liability for the quality of the gas they produce that is outside of the gas specification; and
- passing through carbon costs to gas buyers that do not allow these costs to be reliably forecast, calculated or audited.

2. *Have existing instruments impacted your ability, either positively and/or negatively, to secure long-term contracts?*

Overall, the existing set of instruments have not achieved any measurable improvement in the ability to obtain long term contracts at competitive prices.

3. *How might the HoA and Code EOIs and offer processes be improved? Potential improvements could include price guidance and feedback being required from producers or exempting buyer-led EOIs from the Code. How might this impact EOI processes? Please provide detail.*

Industry has been calling for gas market reforms for more than a decade. The Council and its members have been seeking an efficient, effective and deep Australian domestic gas market – a market which is comprised of many buyers and sellers who are able to negotiate contracts where both sides can obtain a fair return and where, for example, shortages in supply lead to higher prices, sellers can bring on additional supply to satisfy this demand. The inherent systemic failures in the existing east coast gas market currently do not ensure delivery of adequate supply at reasonable prices. The Council welcomed the actions of the Government in December 2022 to meaningfully address gas prices in the short and medium term and as a stepping stone to a long term solution.

The Council believes that the price cap was the only policy option available to bring prices down from the late 2022 level, at which industry is unviable, in the short term. While the \$12 / GJ price cap, was recommended by the Australian Competition and Consumer Commission (ACCC), it is substantially above the

level which the Council believes is sustainable for industry in the long term. The construction of the three LNG export facilities in Gladstone as well as moratoria on gas exploration in some states, has fundamentally changed the gas market with the east coast increasingly reliant on Queensland gas. Increased supply of gas will require an increased diversity of sellers, new sources of gas that meet/exceed current domestic requirements and current LNG export capacity, and removal of physical congestion, to deliver internationally competitive outcomes for consumers. Achieving a market with adequate gas supply is the ultimate goal but will take some time. The Council has previously supported a redesign of the ADGSM to include commercial incentives for LNG producers to supply the domestic market. To restore a fully functioning gas market in the long term with sustainable pricing, the Council supports continued State and Federal collaboration to remove barriers to the increases in diversity of supply and notes the intent of the Future Gas Strategy in this regard.

While noting that the price cap only applied to contracts in the wholesale market, a cap of \$12/GJ is a welcome ceiling given the volatility in the market since mid-2021. However, for high volume users such as the aluminium industry, \$12/GJ is not a long term sustainable price. These users require a price closer to the cost of production to promote long term sustainable operation. Using the ACCC LNG netback as a reference to an export parity price, \$12/GJ is materially higher than the average price prior to recent volatility (Figure 1). The price of gas becomes more important to industry in the future as it moves away from, coal based processes to reduce carbon emissions. \$12/GJ may be suitable to halt high prices in the short to medium terms but is challenging for long term decision making. In the long term, gas should be priced in a reasonable manner considering the cost of production and not to default commercial arrangements at \$12/GJ.

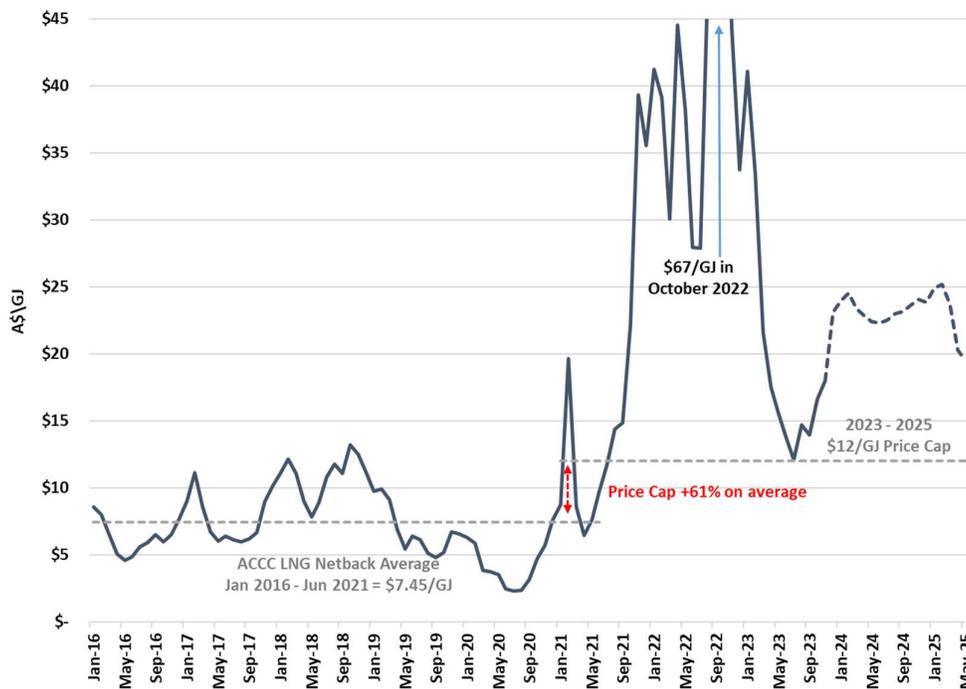


Figure 1. ACCC LNG Netback January 2016 to May 2025

4. Do you consider buyer negotiating positions would improve with a standard Gas Supply Agreement (GSA) template that provides guidance or optionality on non-price terms as a reference for negotiations? Please provide detail.

- a. What non-price terms would benefit from standardising?
- b. What are the benefits of standardising terms and conditions?
- c. What are the barriers in adopting a standardised GSA?

The Council does not believe that standardised gas supply agreements would be likely to improve buyers negotiating position.

Transparency

1. *What are your key sources of supply and pricing information (both from market bodies or elsewhere)?*

The Australian Energy Market Operator (AEMO)'s Gas Statements of Opportunities (GSOO) for each market are commonly consulted and valued by Members. However, it is recognised there are limitations:

- The GSOO relies on self-reporting. AEMO does not have the same additional insights or role as the relevant regulators to be able to verify the information – particularly in relation to how production will change over time;
- The annual process means the GSOO can become quickly obsolete as the energy market remains volatile in the short term.

Members will tend to supplement the GSOO with various public and paid forecasts. Further reference should be made to submissions made by individual companies.

Gas users use a range of forecasts and include companies such as Wood Mackenzie, Rystad, Energy Quest and a variety of smaller consulting firms. The market tends to rely on forecasts published by AEMO adjusted to determine what they believe to be more probable. The modelling of gas markets is very complex and so not easily replicated, especially when it comes to forecasts of gas use in electricity generation.

4. *Are you aware of uncontracted gas information and EOIs hosted on gas producer websites? If yes, please provide detail.*

The Council is aware of EOIs on gas producers websites. However, at the time of writing there are no EOIs currently on offer for any of the Queensland Major LNG Exporter's websites.

5. *What changes are required to ensure you have sufficient access to market information (e.g., more real-time price information, available supply, contract terms etc) to make informed procurement decisions?*

Greater access to information would support procurement processes. The information suggested above potentially utilising the existing capability of the AEMO's gas bulletin would increase transparency in the market.

Pricing

1. *Has the Code's reasonable price mechanism been effective at reducing gas prices? Please provide your observations.*

- a. Does the current reasonable price (set at \$12/GJ excluding transport costs) reflect actual supply and demand conditions? Please provide detail.*
- b. Has price volatility reduced or increased under the instruments? Please provide detail.*
- c. Does the reasonable price support competition in Australia's gas markets? Please provide detail.*

As indicated in Figure 1, the reasonable price mechanism has not delivered a price outcome which supports the long term viability of industrial operations. Initial reductions from the volatility in 2023 stemmed from the threat of enacting the ADGSM, however the market has never fully recovered. The Council notes that major gas producers have received exemptions to the Gas Market Code in relation to price.

2. *Is the mechanism in the Code for setting a reasonable price appropriate or should an alternative mechanism set the reasonable price?*

The mechanism has not led to a measurable improvement in domestic gas prices. The Council notes that major gas producers have received exemptions to the Gas Market Code in relation to price. An alternate mechanism which supports better price outcomes for customers with limited ability for exemption from suppliers may be required.

Conclusion

At a time when manufacturers are facing serious challenges, energy is one of the few advantages Australia has to offer and which Government can help to deliver. The Council seeks a national climate and energy policy framework which is transparent, stable and predictable, while maintaining the economic health of the nation including vital import and export competing industries. Given the importance of a functioning gas market to the industry, the Council is happy to provide further information on any of the issues raised in this submission and looks forward to continuing to work with the Government on the development of gas policy.

Kind regards,



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ⁱ <https://www.industry.gov.au/sites/default/files/2025-06/resources-and-energy-quarterly-june-2025.pdf>

ⁱⁱ <https://www.worldbank.org/en/topic/extractiveindustries/brief/climate-smart-mining-minerals-for-climate-action>

ⁱⁱⁱ International Aluminium Institute High Substitution Scenario

^{iv} The industries' gas usage can be summarised as follows:

- Gas usage by alumina refineries (WA Gas Market) ~95 PJ;
- Gas usage by alumina refineries and aluminium smelters (East Coast Gas Market) ~35 PJ; and
- Indirect consumption via the NEM the industry has four aluminium smelters, two alumina refineries and a number of extruders; and uses more than 10% of the electricity consumed in the NEM.
- This gas consumption includes gas used in cogeneration for export electricity, as this activity is directly linked to the alumina refineries; and produces low emissions electricity for the National Electricity Market and SWIS.

^v The potential renewable capacity required to meet this demand is likely 3 to 5 times this amount.

<https://arena.gov.au/assets/2022/11/roadmap-for-decarbonising-australian-alumina-refining-report.pdf> - Note this includes energy for the Kwinana refinery which has since curtailed.