

Department of Industry, Science, Resources (DISR) and
Department of Climate Change, Energy and Environment (DCCEEW)
Via - <https://consult.dcceew.gov.au/domestic-gas-reservation-scheme-draft-design-framework>
30 June 2026

Dear Ministers,

Re: Domestic Gas Reservation Scheme – Draft Design Framework

The Australian Aluminium Council (the Council) welcomes the opportunity to comment on the Domestic Gas Reservation Scheme and the Draft Design Framework (the Framework). 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 has for many years publicly supported a domestic gas reservation policy and welcomes the establishment of a Domestic Supply Obligation (DSO) as part of a suite of policy settings needed to restore Australia's energy competitiveness and abundance.

Despite Australia's abundant gas reserves and resources with total gas production in Australia being approximately four times annual domestic consumption, there has still been a risk of a structural supply shortfall. Demand has also been eroded through demand destruction and industrial curtailment, due to uneconomic pricing. The construction of the three LNG export facilities in Gladstone as well as moratoria on gas exploration in some states, fundamentally changed the gas market with the east coast increasingly reliant on Queensland gas. The east coast LNG export industry has become linked to international markets, exposing domestic consumers to volatility in international LNG prices. The experience of Council Members is that previous emergency reforms have not been able to establish sufficient long term investment certainty, are not able guarantee or direct increased domestic supply. To underpin industry investment, Members need to be able to contract long term domestic gas at internationally competitive prices. Therefore, it is essential that these reforms deliver available gas to industry at prices which allow industry to both compete internationally and be able to make critical investment decisions, while also incentivising gas producers to invest in increased supply.

The alumina industry has operated under the WA Domestic Gas Reservation Policy for almost 15 years, providing important domestic gas security. It remains unclear how the proposed DSO will interact with the WA scheme, and further consultation with major gas users is needed to ensure the framework is improved, or at least that consumers are no worse off.

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,



Marghanita Johnson
Chief Executive Officer
Australian Aluminium Council
M +61 (0)466 224 636
marghanita.johnson@aluminium.org.au

Domestic Gas Reservation Design

As each operation has unique energy arrangements, the Council will limit its comments on the Framework 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.

Design Principles

Intersection with existing schemes: The industry has experience operating under the Western Australian Domestic Gas Reservation Policy for almost 15 years. This policy, while not without its challenges, has helped provide domestic market security to the alumina industry 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. However, with the WA gas market now also facing the prospect of shortages, development of the national policy should take into account the learnings, both positive and negative, of the implementation and ongoing operation of this state based policy.

Currently it is unclear how the new DSO intersects with WA scheme and this requires further development including consultation with key gas stakeholders, such as the alumina refineries which are major gas consumers. At a minimum, to ensure the market is not worse off but preferably with a view to how the Framework might be designed to serve the WA domestic market into the future. For example, supplementing the WA policy of project lifetime offer to market with the annual physical supply obligations proposed in the Framework.

Supporting Infrastructure: The effort required to support the physical movement of gas through the system should not underestimated with the policy needing to recognise the critical role of supporting infrastructure such as transport, storage and system constraints to deliver meaningful outcomes for domestic consumers.

It is important to note that even when supply is available at competitive prices, there can be capacity limitations (e.g. the fully utilised Queensland Gas Pipeline). To be meaningful for industry, reforms need to address supply availability in the right locations and at the right times.

Gas Prices: The Council believes that the “reasonable” price cap defined as A\$12/GJ in late 2022, was the only policy option available to bring prices down at a time of extremely high volatility in the market. To remain internationally competitive, the alumina and aluminium industries require a price closer to the cost of production to invest in long term sustainable operation, that is a delivered gas price of well below \$10/GJ. Gas availability at an economic price could incentivise fuel switching from coal, enabling emissions reductions.

Market Conduct: It is the experience of Members that users have often faced limited choices when seeking gas supply contracts. Many buyers report having a small number of genuine offers, reducing their ability to negotiate competitive outcomes. A gas reservation policy that requires producers to actually deliver gas into the domestic market (as opposed to just offer) is essential to deliver better outcomes.

Market Transparency: The Council’s members have experienced a lack of transparency and inconsistent information on price and available supply leading to an imbalance of power in negotiations, with large buyers required to form expectations on the basis of incomplete, dated and asymmetric information. Suppliers often benefit from engaging in a wider pool of participants during bilateral contract negotiations.

Additional Measures: While the Council welcomes the DSO, this must still be considered as part of a suite of policy settings needed to restore Australia’s energy competitiveness and abundance. For industrial users unable to switch from using gas as an energy source or feedstock in the short to medium term and who are considered critical to Australia’s sovereign interests such as Australia’s alumina and aluminium sectors, where the impact of a gas reservation scheme does not deliver sufficiently reduce prices in line with the intent of the policy, the Government should consider options to incentivise faster development of new gas fields (such as co-investment in common infrastructure), and otherwise ensure users are able to continue operating.

Transparency: It is not in the interests of producers or gas users for opaque Ministerial decision making. We believe this should instead take the form of compliance regulations and other governance arrangements that will form the basis of annual DSO compliance. This must be a public process that places transparency and clarity at the centre of regulations.

Aluminium Industry and Gas Usage

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 Earnings for Australian exports of aluminium, alumina and bauxite are expected¹ 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 18 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.

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 125 PJ of gas per annum as well as indirect consumption via the electricity market.

The industries’ gas usage can be summarised as follows:

- Gas usage by alumina refineries (WA Gas Market) ~80 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 12% 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.

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 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 Australia’s economic competitiveness and investment attraction. 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.

As Australia’s electricity system transitions toward decarbonisation, new and emerging electricity-intensive sectors—such as data centres, hydrogen production, and critical minerals processing—are driving increased competition for renewable and firmed electricity supply. To inform future policy and investment decisions, the Council commissioned Rennie Advisory to undertake a socio-economic analysis² of the value of aluminium smelters (and future alumina refineries) as large industrial users of electricity compared with alternative current and future electricity users and assess how socio-economic value should be considered in energy allocation and planning decisions.

¹ <https://www.industry.gov.au/sites/default/files/2025-06/resources-and-energy-quarterly-june-2025.pdf>

² <https://aluminium.org.au/wp-content/uploads/2026/06/2606-Smelting-Point.pdf>