



Australian Government

Department of Climate Change,
Energy, the Environment and Water

By email: gasmarkets@dcceew.gov.au

30 June 2026

Re: Domestic Gas Reservation Scheme draft design framework

Thank you for the opportunity to provide a submission on the *Domestic Gas Reservation Scheme – draft Design Framework*.

The Energy Efficiency Council (EEC) is the peak membership association for organisations that are unlocking the power of efficiency, electrification and energy flexibility to deliver a prosperous, net zero Australia. Our members include technology suppliers, energy service providers, major energy users, governments, education providers and NGOs.

The EEC supports the introduction of a Domestic Gas Reservation Scheme to prioritise Australian households and businesses in accessing domestic gas supply. However, the Scheme should be designed with a clear focus on Australia’s broader energy transition, including emissions reduction commitments, efficient electrification pathways, and productivity goals. This submission highlights the substantial opportunity to reduce gas demand across the economy (particularly in the commercial and industrial sectors) and argues that the Scheme should incorporate a demand side compliance mechanism to recognise verified reductions in gas use as part of meeting Domestic Supply Obligations (DSO).

The scheme must consider the wider energy system context

While managing gas supply and prices is important, it is equally important to maintain a broader view of the evolving role of gas in Australia's energy system. This scheme, alongside the wider suite of energy market and climate policies, should support Australia's clean energy transition and progress towards a net zero future.

Continued reliance on high-cost, high-emissions gas is increasingly difficult to justify in a country with abundant renewable energy resources and world-leading uptake of solar and battery technologies. Australia has also committed to ambitious emissions reduction and electrification pathways, including recent support for global goals to:

- Increase electricity’s share of final energy demand to 35% by 2035; and
- Improve energy productivity, including a 25% reduction in buildings energy intensity.

For most residential and commercial consumers, readily available efficient electric alternatives can replace gas while reducing energy costs and emissions. Many industrial processes also have access to mature technologies that can significantly reduce, or eliminate, gas use. Accelerating transition to these technologies would reduce emissions, lower energy bills for consumers, and improve our productivity. However, the transition is not yet occurring at the scale or pace required. At a glance:

- Efficiency and electrification can deliver at least 20 per cent of the emissions reductions needed to achieve Australia’s 2035 emissions reduction target.¹
- Electrification could save 91 PJ of gas a year by 2035. Using electricity instead of gas for low-temperature heat could save 25-35 PJ of gas per year on average between now and 2035², equivalent to about 10-15% of manufacturing gas use today.³
- Action commensurate with the AEMO Step Change scenario, would see commercial buildings’ gas consumption decline from 45.8 PJ in 2024 to 9.3 PJ in 2050.⁴ A higher level of ambition, to reduce commercial buildings’ gas consumption to zero by 2050, would require 3.5% of the current commercial building stock to disconnect from the gas network each year, up from about 1% currently.⁵
- For businesses, savings generated from investment in energy productivity can create increases in annual profits of 2-10 per cent.⁶ For example, businesses upgrading or replacing inefficient equipment in the Victorian Energy Upgrades (VEU) program have been found to save up to \$74,000 a year on energy costs⁷, with similar outcomes in the NSW scheme.
- Recent research shows that 85 per cent of Australian businesses leaders view electrification as a route to becoming more competitive.⁸ 88 per cent think electrification will keep energy prices stable during future external shocks like the current global energy crisis, and 82 per cent also see electrifying their operations as a viable option to actually bring down their energy bills over the long term.⁹
- Small businesses (less than 20 employees, as defined by the ABS) account for 97 per cent of Australia’s businesses.¹⁰ While some businesses are unlocking the benefits of transition, almost half of small businesses have not yet taken any steps towards the energy transition.¹¹
- More than half (57 per cent) of business leaders recently surveyed said that current government electrification policies fall short on what businesses need.¹²

¹ EEC, [Efficient electrification for Australia’s 2035 target – Policy brief](#), 2025.

² EEC, [Efficient electrification for Australia’s 2035 target – Policy brief](#), 2025.

³ DCCEEW, [Australian Energy Update 2025](#).

⁴ Strategy. Policy. Research for DCCEEW, [Commercial Buildings Baseline Study 2024 update](#) – revised February 2025.

⁵ DCCEEW, [The Trajectory for Low Energy Buildings Update](#), 2025, p.8.

⁶ Climateworks Centre, Energy Productivity for Companies, 2016, in ANZ and EEC, [Putting energy efficiency to work](#), 2023.

⁷ DEECA, Victorian Energy Upgrades for businesses, 2023, in ANZ and EEC, [Putting energy efficiency to work](#), 2023.

⁸ We Mean Business Coalition, [Powering Up: Business perspectives on electrification](#), 2026.

⁹ Ibid.

¹⁰ Chan et al, RBA, [Recent Developments in Small Business Finance and Economic Conditions](#), 2023.

¹¹ Small Business Organisations Australia, [Small business is facing energy hardship and is at the frontline of the energy transition. It needs support.](#)

¹² We Mean Business Coalition, [Powering Up: Business perspectives on electrification](#), 2026.



A similar percentage reported barriers such as high upfront equipment costs have already caused them to delay or shelve an electrification project.

Gas policy cannot be developed in isolation from wider economic, energy and climate objectives, nor should it be shaped through an insular or siloed approach. The Domestic Gas Reservation Scheme should not only safeguard domestic supply and manage gas prices in the short term, but also support Australia's transition to a cleaner, more productive and resilient energy system.

This could be achieved by:

- **Including a demand side compliance mechanism** in the Domestic Gas Reservation Scheme from the outset that delivers additional, verifiable and non-double-counted reductions in gas demand; or
- **Designing the legislation with sufficient flexibility** to incorporate a demand side compliance mechanism in the future.

As the proposed framework already provides a pathway for recognising investment in renewable gases, it could be readily expanded to allow acquittal through other methods (including verified reductions in gas demand).

A demand side compliance mechanism

There is a strong case for a demand side compliance mechanism that supports additional, verifiable reductions in gas use. The detailed design of a demand side compliance mechanism would require further consultation. However, at a high level, the mechanism could allow gas exporters to reduce their annual or accrued DSO by funding additional, verified and durable reductions in domestic gas demand that are equivalent to new gas supply.

This could include investment in domestic electrification and fuel switching projects that permanently decrease gas demand in Australian businesses - and potentially extended to households.

Benefits of a demand side mechanism could include:

- Supporting manufacturers and other businesses to realise the affordability and productivity benefits of efficient electrification.
- Providing a potentially lower-cost compliance option for gas exporters compared with costly new gas extraction and transportation.
- Helping to preserve finite gas supplies for hard to abate industries that need it until viable alternatives are developed and implemented.
- Reducing the need for gas infrastructure expansions and the associated costs to gas consumers.
- Strengthening Australia's ability to meet its climate targets.

Key design features could include:

- **A compliance pathway** that allows obligated exporters to fund verified reductions in domestic gas demand as an alternative means of acquitting part of their DSO.



- **A robust verification framework** to ensure demand reductions are measurable, durable, additional and not double-counted against existing obligations or targets.
- **A crediting mechanism** that decreases an exporter's annual or accrued DSO by the equivalent volume of verified gas demand reduction it has funded.
- **A delivery mechanism** that leverages existing market infrastructure where appropriate. For example, a central fund could operate alongside established state-based crediting schemes, such as the NSW Energy Savings Scheme (ESS) and the Victorian Energy Upgrades (VEU) program, or through an existing or future Emissions Reduction Fund methodology.

Given the scale of emissions from the commercial and industrial sectors, there is a compelling case for targeting this mechanism towards reducing gas demand in these sectors. This is particularly important given that many small and medium-sized (SME) businesses are at risk of falling behind in the energy transition, with consequent impacts on productivity and competitiveness across the economy.

In summary, the EEC supports the introduction of a Domestic Gas Reservation Scheme that prioritises Australian households and businesses while recognising that the long-term solution to energy affordability and security is not simply increasing domestic gas supply, but reducing unnecessary gas demand.

The scheme should therefore be designed to complement Australia's broader energy, economic and climate objectives by recognising verified demand reduction as an additional compliance pathway. Doing so would lower compliance costs, accelerate investment in efficient electrification, preserve finite gas resources for sectors that genuinely need them, strengthen Australia's productivity and competitiveness, and support the transition to a cleaner, more resilient energy system.

Whether implemented from the outset or enabled through intentional design of future legislative flexibility, incorporating a demand side compliance mechanism would ensure the scheme not only addresses today's gas market challenges, but also helps deliver the energy system Australia needs for the future.

Thank you for your considering this submission. If you'd like to discuss matters further, please contact me via email at Jeremy.Sung@eec.org.au.

Sincerely,

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