

## Australian plan to partly reserve gas for residents causes jitters in Asia; experts say exports are safe

Jonathan Pearlman | 27 June 2026

SYDNEY – An Australian government plan to force energy companies to reserve 20 per cent of gas exports for local use has raised concerns in Japan and other major importers in Asia about future gas flows, but experts say the scheme is unlikely to seriously affect prices and volumes.

The government is set to introduce the gas reservation scheme from July 1, 2027, saying it will lead to lower domestic prices and prevent potential shortages.

There is a strong political imperative for the measure: Prime Minister Anthony Albanese has come under growing pressure to rein in energy prices amid high inflation that has led to three consecutive interest rate rises.

Australia has abundant supplies of gas and is one of the world's top exporters of liquefied natural gas (LNG) – along with the United States and Qatar.

But residents of major east coast cities such as Sydney, Melbourne and Brisbane face potential shortages and pay high prices because much of the supply is exported and locked up in long-term sales to companies across Asia. That has curbed domestic supplies and pushed up prices, which have risen further because of the conflict in the Middle East.

In contrast, the state of Western Australia has set aside 15 per cent of gas for local use since 2006. Western Australia is a major LNG exporter.

Despite the new scheme reportedly sparking anxieties in some Asian markets, Lurion De Mello, an energy expert from Macquarie University in Sydney, told The Straits Times that Australia has capacity to produce more gas if needed and that the scheme will not affect flows to major importers of Australian gas.

In 2024, the largest buyers of Australian LNG were China, which accounted for 33 per cent of exports, Japan (32 per cent), South Korea (15 per cent) and Taiwan (10 per cent), according to

the Institute for Energy Economics and Financial Analysis (IEEFA). Australia provides about a third of Singapore's LNG needs.

"I don't think they (importers) have anything to be concerned about," De Mello said. "There will not be a supply crunch. We can export more gas."

But the reservation scheme prompted warnings from Australian producers as well as Japan and South Korea that it will discourage investment in new projects and reduce the country's overall output.

Australian Energy Producers, an organisation that represents gas producers, said in a statement that the scheme will "send a concerning signal to key trade and investment partners, including Japan, South Korea, Malaysia and Singapore, which have been given repeated assurances from Albanese that LNG contracts will not be impacted by the reservation scheme".

But the federal government has assured foreign buyers that existing long-term contracts will not be affected.

Australia's Resources Minister, Madeleine King, told ABC News on May 25: "We don't intend to endanger any of our export contracts, which are really very important for our regional neighbours, but also for us, for regional prosperity and therefore peace."

[Albanese travelled to Singapore, Malaysia and other countries](#) in the region earlier in 2026 following the energy shock caused by the conflict in the Middle East to assure his counterparts that Australia would honour its existing energy contracts. In recent weeks, officials have reportedly travelled to Japan and South Korea to address concerns about the reservation scheme.

Kevin Morrison, an Australian oil and gas analyst from IEEFA, told ST the scheme would not affect Australian export flows or prices because Australia's domestic demand has been declining as consumers switch to renewable energy and battery storage. And domestic demand is projected to fall further, he said.

"The concern (from importers of Australian LNG) is overbaked. If you're a buyer of Australian gas, there will be no change."

Morrison also said he did not believe the scheme will undermine investment in gas projects, saying: "If there is commercial gas here, companies will explore here."

Australia's LNG trade is lucrative for the producers in part because of the low taxes on production, [triggering growing calls for a tax on super profits](#).

In the 2024 to 2025 financial year (July to June), Australia's LNG export earnings were estimated at A\$65 billion (S\$58 billion), according to the Department of Industry, Science and Resources.

They are expected to be higher in the 2025 to 2026 financial year following the surge in LNG prices triggered by the Iran war.

Critics say Australia collects far less tax revenue than other resource-rich economies such as Qatar and Norway.

Pauline Hanson's far-right anti-migrant One Nation party, which now leads the ruling Labor party in opinion surveys, has also been pushing for the government to ensure Australians receive a "fair share" of the massive profits enjoyed by mining companies.

The party has proposed offering tax incentives to encourage mining exploration, saying the government could then take a stake in new projects and channel gas that it owned back into the domestic market.

The government rejected One Nation's plan as well as a popular push to introduce a 25 per cent tax on gas exports, saying such a move could upset Australia's trading partners in Asia.

But the announcement of the long-awaited gas reservation scheme appeared designed to reassure the public that the government was looking to reduce household energy costs.

Tim Buckley, director of Climate Energy Finance, an Australian think-tank, told ST the reservation scheme was long overdue and that the prices paid by Australian consumers for gas were "obscene".

He said the scheme, which could include a price cap for domestic sales, will ensure Australians do not pay export prices for their own gas. But, he said, the scheme will not affect export prices or volumes because the country already uses about 20 per cent of its overall supply.

"The scheme is a very important and necessary initiative," he said.

"What other country would allow multinationals to come into your country and export all your resources and price gouge and move the country from having one of the lowest gas prices to having export price parity and beyond?"

<https://www.straitstimes.com/asia/australianz/australian-plan-to-reserve-gas-for-residents-causes-jitters-in-asia-experts-say-exports-are-safe>