15th August 2025

To the Department of Climate Change, Department of Climate Change, Energy, the Environment and Water, and the Department of Industry, Science and Resources

Re: Gas Market Review consultation

The Investor Group on Climate Change (IGCC) welcomes the opportunity to make a submission to the Review, noting its previous submission to the Future Gas Strategy, which will inform this Review. IGCC is a collaboration of Australian and New Zealand institutional investors focused on the impact of climate change on investments. IGCC represents investors with total funds under management of over $4.6 trillion in Australia and New Zealand, and $35 trillion globally.

As the long-term custodians of trillions of dollars in retirement funds, investors have a fiduciary duty to deliver long-term returns for their beneficiaries that are commensurate with the level of risk taken. Due to the systemic nature of climate change, unless it is addressed in an orderly and just way, the retirement savings of millions of Australians are under threat.

IGCC appreciates DCCEEW and DISR’s consideration of energy security, affordability and trade in this consultation. IGCC’s substantive comments will focus on the long-term policy settings for Australia’s gas markets to support investment and energy security for Australia and the region.

## Summary of response

IGCC members recommend that:

1. All policy and regulation settings considered in this review align with the decarbonisation objectives outlined in the forthcoming sector plans and Net Zero 2050 Plan.
	* Policy that seeks to lock-in prolonged exploration, consumption and export of natural gas directly detracts from Australia’s capability to become a renewable energy superpower by creating confusing market signals.
2. The sector plans, particularly energy and resources, include export addendums which consider decarbonising emissions-intensive trade.
	* To ensure that regional transition to net-zero happens in lockstep, cultivating markets of supply and demand for renewable energy and green commodities.
	* Demand reduction strategies across domestic and international markets (for energy, electricity and industrial sectors) that include detail around establishing alternative green energy trade.
		+ This will smooth transitions across the region, and will buffer the Australian economy against price imposts on carbon as Asian markets develop stronger emissions trading schemes.

# Core comments on the Review

### Future export market conditions for LNG are poor

IGCC commissioned an analysis of Australian gas demand, and found that the industry faces extremely high stranded asset risks, particularly post-2030[[1]](#footnote-2). More recently, the World Energy Outlook from 2024 projects a significant supply glut for LNG by 2030, which will put downward pressure on spot prices[[2]](#footnote-3).

With many major contracts for Australian LNG expiring in the early to mid 2030’s[[3]](#footnote-4), other markets such as Qatar and the US present cheaper alternatives to Australian LNG. Neither the Future Gas Strategy nor this Review have adequately addressed this concern.

Given this market outlook, there is a greater rationale for reducing domestic demand for natural gas where electrification presents a compelling economic case (such as households and low temperature heat applications) and making more supply available where options to decarbonise are limited. Natural gas continues to be the most expensive source of energy in the national electricity grids, with domestic prices being closely linked with volatile international spot prices[[4]](#footnote-5).

The best solution to reducing costs to consumers is for decarbonised alternatives to come online, and sooner; IGCC recommends that demand reduction strategies and more investment opportunities for renewable energy, generation, shaping and firming should be prioritised in this Review.

### Continued LNG trade undermines enduring green export industries

Investors do not see the LNG export industry as viable long-term, and continued exploration detracts from other opportunities in clean energy trade with better long-term prospects. Serious effort from policymakers to establish clean trade agreements with key partners must be taken, lest Australia miss out on cementing itself within global green supply chains, as other countries rapidly build capacity in this space. Australia’s exports remain poorly diversified, and if this is not addressed, will significant risk to the investibiity of its economy as the globe decarbonises.

Key export markets for Australian LNG are reducing their consumption, and in some cases onselling significant volumes to neighbouring less-developed economies[[5]](#footnote-6). Australia should be negotiating clean trade agreements that directly support mutual decarbonisation and economic development objectives, providing investors with more opportunities to deploy transition capital throughout the region.

### Coherent policy unlocks investment

IGCC members advocate for all sector policy to be aligned with the Australian Government’s Net Zero 2050 strategy and sectoral decarbonisation plans.  To maintain and attract capital for Australia’s transition to net zero emissions, actions in each sector must amount to and be consistent with the Government’s stated policy objective of limiting climate change damages above 1.5oC.[[6]](#footnote-7) This will create confidence that transition activities are safe investments.

IGCC understands that the sector plans do not consider exports, which must be addressed. The LNG industry is a prime example of why domestic trade and consumption must be considered alongside exports. Continued trade sends a signal that alternatives do not need to be explored, and demand markets cannot plan their own transitions effectively.

These challenges will be addressed via carbon pricing as it becomes ubiquitous[[7]](#footnote-8), but without strategies to shift supply and demand towards clean alternatives, a disorganised transition becomes much more likely. Institutional investors are stewards of beneficiary capital, and will move this capital to investments that provide appropriate risk return profiles. If the Australian Government is serious about its national economic and security priorities, it must ensure that there is policy coherence across all sectors; otherwise capital will flow to markets that have durable, future-proofed policy settings that deliver a pipeline of opportunities.

Lack of demand markets for green commodities, including green hydrogen, have significantly hamstrung investment in the technology. No amount of subsidy will override the need of large offtakes and long-term contracts. Government strategies that promote ongoing exploration and export of natural gas directly undermine the investment cases for green alternatives.

### Further information

IGCC looks forward to continued engagement with DCCEEW and DISR on this reform issue. Please contact us for more information.

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1. IGCC 2022, Changing pathways for Australian gas, [[link](https://igcc.org.au/wp-content/uploads/2022/04/IGCC-Changing-pathways-for-Australian-gas-FINAL.pdf)]. [↑](#footnote-ref-2)
2. IEEFA 2025, Australian gas and LNG tracker, [[link](https://ieefa.org/australian-gas-and-lng-tracker)]. [↑](#footnote-ref-3)
3. IEEFA 2025, Australian gas and LNG tracker, [[link](https://ieefa.org/australian-gas-and-lng-tracker)]. [↑](#footnote-ref-4)
4. ACCC 2025, Gas inquiry 2017-30, [[link](https://www.accc.gov.au/inquiries-and-consultations/gas-inquiry-2017-30/lng-netback-price-series)]. [↑](#footnote-ref-5)
5. IEEFA 2024, Japan does not need Australian LNG to keep the lights on in Tokyo, [[link](https://ieefa.org/resources/japan-does-not-need-australian-lng-keep-lights-tokyo)]. [↑](#footnote-ref-6)
6. IGCC 2023, Investible sector pathways report, [[link](https://igcc.org.au/wp-content/uploads/2023/10/IGCC-Sector-Pathways-Report_2023.pdf)]. [↑](#footnote-ref-7)
7. IEEFA 2024, Carbon Pricing: Governments Increasingly Make Polluters Pay for Climate Change, [[link](https://ieefa.org/sites/default/files/2024-06/Carbon%20Pricing%20Govts%20Make%20Polluters%20Pay%20for%20Climate%20Change_May%202024.pdf)]. [↑](#footnote-ref-8)