The Turnbull government will impose restrictions on the export of Australian gas to boost domestic supplies and lower prices.

The drastic measure – a key part of the government's policies on energy security – follows unsatisfactory progress in talks with producers about guaranteeing supply.

Malcolm Turnbull, who will announce the move on Thursday, says in a statement that the shortage of domestic gas supplies has meant "dramatically higher prices in Australia", which are above those in places to which Australian gas is exported.

"Gas companies are aware they operate with a social licence from the Australian people. They cannot expect to maintain that licence if Australians are shortchanged because of excessive exports," Turnbull says.

He says ending the local shortage "will ensure gas prices in Australia are lower and fairly reflect international export prices, as they should".

The government will introduce the Australian Domestic Gas Security Mechanism, giving it power to impose export controls on companies when there is a domestic shortfall. The mechanism will ensure the local supply always meets the forecast needs.

Ministerial imposition of the controls will be based on advice from the market operator and regulator.

If an exporter draws more from the market than it puts in, it will have to outline how it will fill the domestic shortfall.

"The government will not prescribe how the exporter must respond, giving companies considerable flexibility in finding commercial solutions – such as swapping cargoes out of portfolios or on the spot market," Turnbull says.

LNG exporters drawing from the domestic market will be ordered to limit exports.

Exporters not drawing from the domestic market overall will be able to exports in line with their forecasts.

"Securing supply in the domestic gas market will put downward pressure on retail prices in Australia," Turnbull says.

The government expects the measure to be temporary, and to apply only to east coast exporters.

"The long-term goal remains boosting the supply of gas by removing state restrictions on exploration and development," Turnbull says.

The government met producers in March and this month seeking commitments that each east coast LNG exporter would be a net contributor to the domestic market.

"While good progress has been made, these requirements have not been met," Turnbull says.

"It is unacceptable for Australia to become the world's largest exporter of liquefied natural gas, but not have enough domestic supply for Australian households and businesses."

The regulations are to be in place by July 1, after consultations.

*Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.*

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