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SENATE SELECT COMMITTEE ON TAXATION OF GAS RESOURCES | INQUIRY

Australian Energy Producers | 13 April 2026

As the peak representative body for oil and gas explorers and producers, who are large taxpayers and essential to Australia's economy, Australian Energy Producers welcomes the opportunity to contribute to this Inquiry.

The Australian oil and gas industry paid a record $21.9 billion in taxes and royalties in 2024-25.[1] The industry remains the second-highest contributor to Commonwealth income taxes in Australia, accounting for 1 in every 10 company tax dollars paid.[2] The Australian Taxation Office (ATO) has confirmed that some oil and gas companies are among the largest taxpayers in Australia.[3] Treasury forecasts that the Petroleum Resource Rent Tax (PRRT) alone will raise $5.4 billion in receipts over the next four years.[4]

Company tax and PRRT already ensure that Commonwealth revenues increase when company profits increase. Australia's oil and gas tax regime equates to an effective tax rate between 54% and 58%, across company tax, PRRT, state royalties and a range of other government taxes, levies and fees (see appendix). Independent analysis by Westpac projects that higher-than-assumed prices for coal and liquified natural gas (LNG) exports will deliver approximately $20 billion in additional revenue to the Australian Government over the 5 years to 2029-30.[5]

Australia's tax regime for oil and gas is very different to that of Norway and Qatar. Norway and Qatar share risk and reward through state investment and supportive tax arrangements, which lower upfront costs and provide fiscal stability. Since 2008, the PRRT has been extensively reviewed by government and parliament 6 times, and substantively amended 5 times – including in 2024 to legislate a deductions cap and a narrower interpretation of deductible exploration expenditure. The PRRT is also regularly examined in Budget estimates.

An export windfall levy could render LNG projects uneconomic and put up to 19,000 PJ of gas production and approximately A$70.4 billion of government revenue at risk. Analysis by Wood Mackenzie finds that imposing a 25% export levy on LNG exports could increase the effective tax rate of a project to as high as 83%, and reduce the value generated by oil and gas projects by as much as 94%. Such a tax would also adversely affect the availability of domestic gas supplies, reduce the longevity and valuations of Australia's existing LNG facilities, and raise sovereign risk concerns for our LNG trading and investment partners. The United Kingdom's Energy Profits Levy has led to significant decreases in investment and put billions of dollars in potential capital expenditure at high risk.

Australia should be increasing investment in oil and gas, both to strengthen our sovereign capability and reinforce our energy security partnership with Asia, which relies on Australian LNG while supplying Australia with liquid fuels. Now would be the worst possible time to impose new taxes on an essential energy industry and signal to the world that Australia is closed for business.

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[1] Australian Energy Producers, *Financial Survey 2025*, 2025.
[2] See Australian Taxation Office, *2023-24 Report of Entity Tax Information*, update 2 October 2025; *Taxation Statistics*.
[3] Australian Taxation Office, *ATO collects $100 billion from large corporates*, media release, 1 November 2024; *Demographics of large corporate groups*, 2 October 2025.
[4] Commonwealth Treasury, *Mid-Year Economic and Fiscal Outlook 2025-26*, p. 62.
[5] Pat Bustamante, *Westpac IQ: Still the lucky country: Conflict, Gold and Inflation to Lift the Budget*, 31 March 2026.

Recommendation

Australian Energy Producers urges the Committee to reject any proposed increase in taxation on Australia's oil and gas industry. The PRRT has been extensively reviewed 6 times in 18 years and was amended as recently as 2024 to deliver more revenue sooner. Stable and internationally competitive tax settings are essential to ensuring additional investment in new and expanded projects that underpin Australia's energy security, prosperity, industrial capacity and highly skilled jobs.

COMMENTS

Reliable and affordable oil and natural gas is essential to Australia's energy security, economic prosperity and strategic partnerships. The Minister for Resources has emphasised that Australia's oil and gas industry underpins the nation's economic development, powering Australian industry, cities, towns and homes. The Minister has also pointed out that "every Australian receives a dividend from our energy exports" and highlighted "Australia's significant role in ensuring that our regional neighbours enjoy energy security".[6] Further, the development of power-hungry data centres will further expand the role of natural gas, with the International Energy Agency projecting that globally, gas and renewables take the lead in meeting additional data-centre electricity demand to 2030.[7]

The US-Iran conflict has brought Australia's vulnerability to oil supply shocks into focus. Australia ceased to be self-sufficient in oil in the early 2000s, as production from mature basins declined and import dependence began to rise sharply.[8] Australia now imports approximately 90% of its liquid fuels, leaving the nation acutely exposed to global supply disruptions despite possessing abundant undeveloped resources.[9] Energy security is inseparable from national security; and the best strategic oil reserve Australia could have is the development of own oil resources, both onshore and offshore.

ATO data demonstrate that the Australian oil and gas industry pays its fair share. The ATO's latest corporate tax transparency report confirms that the oil and gas industry remains one of Australia's largest corporate taxpayers, contributing $10.4 billion in company tax alone in 2023-24 – approximately 1 in 10 dollars of company tax paid by large corporates ($96 billion). Eight of the twenty-five largest company taxpayers were oil and gas companies.[10] The ATO noted that "Australia has some of the highest levels of tax compliance of large business in the world", and that 2023-24 was the third year in a row in which the resources sector (which includes oil and gas) paid more tax than all other sectors combined.[11] The trends identified by the ATO are consistent with the results of Australian Energy Producers' broader *Financial Survey 2025,* which estimated that for 2024-25, the Australian oil and gas industry paid a $21.9 billion in taxes and royalties, including approximately $14.8 billion in company tax and PRRT and approximately $6.6 billion in state royalties.

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[6] The Hon Madeleine King MP, Minister for Resources and Minister for Northern Australia, *Speech to the Australian Energy Producers Conference*, 27 May 2025.
[7] International Energy Agency, *Energy and AI*, 10 April 2025, p. 14.
[8] RS Blewett (ed.), *Shaping a Nation: A Geology of Australia*, Geoscience Australia and ANU E Press, Canberra, 2012, p. 176.
[9] Geoscience Australia, *Australia's Energy Commodity Resources 2025: Oil*, last updated 23 October 2025
[10] Australian Taxation Office, *Large companies continue to pay record levels of tax*, 2 October 2025; Australian Government, *2023-24 Report of Entity Tax Information*, updated 2 October 2025.
[11] Australian Taxation Office, *Large companies continue to pay record levels of tax*, 2 October 2025. NB that the ATO corporate tax transparency report does not capture state and territory royalties, payroll tax, goods and services tax, fringe benefits tax, other industry-specific levies, or taxes paid through incorporated joint venture. And while the ATO notes that depreciation and the carry-forward of losses can legitimately reduce taxable income, the Corporate Tax Transparency dataset itself does not show the effect of these features on reported tax payable.

The Petroleum Resource Rent Tax is only one part of the industry's significant tax contribution. PRRT is a 40% tax levied on the taxable profits of petroleum projects in Commonwealth waters, including offshore oil, gas and condensate. PRRT is designed to balance, as the Callaghan Review put it:

> "[T]he need to deliver an equitable return to the community for the use of its resources while ensuring industry has a sufficient incentive to take on risk and invest in projects."[12]

This is why PRRT is not payable until a project has recovered all its costs and achieved a defined economic return. The oil and gas industry is characterised by high exploration and reservoir risk, high upfront exploration and development costs, long lead times to profitability, and intense international competition for capital. Oil and gas projects take an average of 8 to 12 years of development and production until a break-even point is reached.

PRRT settings were comprehensively assessed by the Callaghan Review and major reforms were legislated in 2024. According to Treasury, the capping of PRRT deductible expenditure to the value of 90% of each taxpayer's PRRT assessable receipts (effective 1 July 2023) brought forward $2.4 billion in cash receipts between 2023-24 and 2026-27.[13] Additionally, the PRRT was retrospectively amended to effectively legislate a narrower interpretation of deductible exploration expenditure to 2013, against broader interpretations relied on by taxpayers in disputes and upheld by the Full Federal Court.[14]

The oil and gas industry makes significant tax contributions to state and territory governments, in addition to the Commonwealth. Australia's onshore petroleum resources are owned by the Crown in right of the states and territories, and state royalties are the primary mechanism through which the residents of those jurisdictions receive a direct return. The industry pays substantial state royalties alongside Commonwealth company income tax, PRRT and other charges. Royalties are generally levied on the volume or value of production, meaning payments automatically increase with stronger commodity prices and higher production volumes. In Queensland, for example, onshore oil and gas producers – including coal seam gas operators – are major royalty payers, providing a significant and recurring revenue stream for the state across the commodity cycle.

The Australian oil and gas industry is the most productive in Australia, contributing more than $100 billion to the Australian economy each year. 3.7% of Australia's gross domestic product comes from the oil and gas industry's direct economic contribution, with over 215,000 Australian jobs supported along the gas supply chain. KPMG analysis shows that the average full-time-equivalent (FTE) worker in the gas industry produces $2.8 million of gross value-added – approximately 16 times the Australian average of $181,000 per FTE worker.[15]

LNG exports boost national income and support domestic energy security. The industry's productiveness underpins Australia's comparative advantage in LNG exports. LNG is Australia's third-largest export, contributing $65 billion in 2024-25.[16] More than $400 billion has been invested in Australia's LNG industry since 2010, with access to export markets providing the scale needed to develop Australia's abundant gas resources and ensure reliable gas supply for Australian homes and

[12] Australian Government, *Petroleum Resource Rent Tax Review (Callaghan Review) - Final Report*, 13 April 2017, p. 63.
[13] The Hon Dr Jim Chalmers MP, Treasurer, *Changes to the Petroleum Resource Rent Tax*, 2 May 2023.
[14] *Treasury Laws Amendment (Tax Accountability and Fairness) Act 2024*; *Treasury Laws Amendment (Delivering Better Financial Outcomes and Other Measures) Act 2024 (No 67, 2024).*
[15] KPMG, *Economic Contribution of the Gas Industry*, 2025.
[16] Department of Industry, Science and Resources, *Resources and Energy Quarterly*, December 2025, p. 14.

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industry. As the Gas Market Review Report observes: "Establishing an LNG export industry has enabled the development of gas resources that would otherwise not be commercially viable, providing Australia with energy security."[17] Wood Mackenzie forecasts global LNG demand to rise 58% by 2050, with the Asia-Pacific's share of demand rising from 63% to 75%.[18] Australia is ideally placed to meet this growing demand.

In times of geopolitical instability, the energy security benefits of our two-way trade and investment relationships are heightened. While Australia is a net exporter of LNG, with most exports going to Japan, China, South Korea, Taiwan and Singapore, Australia is a net importer of liquid fuels, with our largest suppliers being Singapore, South Korea, Malaysia, Taiwan, India and Brunei. Australia imports approximately 370-400 million barrels of liquid fuels a year and exports approximately 100-110 million barrels a year to Singapore, China and South Korea, owing to our proximity and refinery specifications.[19] Australia is particularly reliant on diesel and jet fuel imports – critical fuels for economic activity.

There is a strong relationship between international investment in Australia's LNG industry, our successful export trade, and the mutual energy security of Australia and our trading and investment partners. For example, Japan has been a leading investor in Australia's LNG export industry since the 1980s, and Australia supplies more than 40 per cent of Japan's LNG.[20] Similarly, South Korea is a significant investor in Australian LNG, and Australia supplies more than 30 per cent of South Korea's LNG.[21] China, Malaysia and Taiwan also invest in Australian LNG, and Australia supplies approximately 34%, 80% and 34% of their LNG import volumes, respectively.[22] Imposing additional taxation on Australia's oil and gas industry would undermine Australia's longstanding reputation as a reliable and trusted trading partner at the worst possible time (Box 1).

Box 1: Prime Minister on proposal to increase taxation of LNG exports

I think it needs to be viewed in the context of where we are now. So, one of the things that we've been very clear about, for example, is that just as we expect countries that supply us to stick to agreements which are there, we think it's very important that the contracts that we have be fulfilled completely with countries in our region. That's the quid pro quo, if you like. And I think that is very important as we go forward. So, to be clear, our first priority is supply. Supply depends upon those relationships being adhered to. And some of the commentary that is there ignores a whole range of the issues. They take some select areas, pretend that there isn't a return to the Australian people from the resources sector which is there, which is a real strength for us.[23]

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[17] Department of Climate Change, Energy, the Environment and Water and Department of Industry, Science and Resources, *Gas Market Review Report,* 22 December 2025, p.

[18] Wood Mackenzie, *Australia's Natural Gas Investment Competitiveness*, prepared for Australian Energy Producers, May 2025, p. 12.

[19] See Department of Industry, Science and Resources, *Resources and Energy Quarterly*, December 2025; and Department of Climate Change, Energy, the Environment and Water, *Energy Trade;* DCCEEW, *Australian Petroleum Statistics 2025*.

[20] Australian Embassy in Japan, *Australia-Japan resources and energy relationship*, viewed 9 April 2026.

[21] Takeo Kumagai and Charles Lee, *South Korea sees no LNG shortages despite Middle East supply disruptions*, S&P Global, 5 March 2026.

[22] World Bank, *China Natural gas, liquefied imports by country in 2024*, World Integrated Trade Solution; World Bank, *Malaysia Natural gas, liquefied imports by country in 2024*, World Integrated Trade Solution; US Energy Information Administration, *Taiwan Analysis Brief*, last updated April 2026, p. 15.

[23] The Hon Anthony Albanese MP, Prime Minister of Australia, *Question and Answer - National Press Club*, Canberra, transcript, 2 April 2026.

A new 25% export levy would make many Australian gas projects uneconomic, sharply reduce investment, materially damage Australia's fiscal competitiveness and elevate sovereign risk, not only for oil and gas investment but for all sectors of the Australian economy. Australia's existing tax settings already give the Commonwealth a strong and progressive share of resource revenues. As Wood Mackenzie explains (appendix), the current combination of company tax and PRRT (or state royalties for onshore projects) captures a substantial portion of profits and automatically increases the government's take when prices rise. This means that the fiscal system already delivers more revenue in high-price environments without the need for additional windfall mechanisms. Conversely, the proposed 25% export levy would push the effective tax rate on a representative offshore gas project to as high as 83% at US$120 a barrel, eroding 94% of project value and fundamentally altering the economics of future supply. Further, an export levy on onshore gas projects would tax a resource not owned by the Commonwealth and one that is already taxed by the states and territories, who do own the resource.

The consequences for investment would be severe with gas supply curtailed and consumers increasingly reliant on higher-cost imports. Wood Mackenzie finds that at a long-run oil price of US$70 a barrel a 25% export levy could make currently viable projects uninvestable. Under this scenario, projects would only meet commerciality thresholds if long-term oil prices were significantly higher than typically assumed. Australian upstream gas projects expected to take final investment decision in coming years could become uneconomic, reducing future gas supply by 19,000 PJs and placing up to A$70.4 billion in future government revenue at risk.

International experience shows these risks are measurable and material. The UK's Energy Profits Levy provides a clear warning: successive changes to the levy have created fiscal instability, triggering a measurable contraction in investment across the UK Continental Shelf. Capital expenditure has fallen sharply, with billions of pounds in planned investment now at risk of being redirected to more competitive jurisdictions. The Wood Mackenzie report makes clear that Australia risks repeating this pattern. Introducing an export levy would significantly worsen Australia's fiscal competitiveness at a time when global capital is increasingly mobile and when long-term energy security – both for Australia and our trading partners – depends on continued investment in new supply.

While international gas prices have surged, the Australian gas market remains well supplied, and prices remain stable and comparatively low. East coast spot prices remain at their lowest levels in years, with international LNG spot prices around 2½ times higher. Australia's strong domestic gas market means we remain insulated from the worst of the global energy crisis. Conversely, if Australian gas consumers were reliant on LNG imports, then the price would be more than A$25 a gigajoule, compared to a domestic price of approximately A$10 a gigajoule.[24] Nonetheless, as the Gas Market Review emphasised, competitive domestic gas and electricity prices depend on new supply, which in turns necessitates ongoing investment facilitated by regulatory clarity, stability and efficiency.[25]

Norway and Qatar are not meaningful benchmarks for Australia's tax-only regime. In assessing Australia's taxation of oil and gas resources, it is essential to recognise the fundamental differences between Australia and competitor jurisdictions such as Norway and Qatar. These countries operate

[24] See EnergyQuest, *Recent international and domestic gas price movements*, 9 April 2026; *Recent international and domestic gas price movements*, 26 March 2026; *Recent international and domestic gas price movements*, 13 March 2026.
[25] Department of Climate Change, Energy, the Environment and Water and Department of Industry, Science and Resources, *Gas Market Review Report*, 22 December 2025, p. 5.

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fiscal systems built on state ownership, state capital and mechanisms that share downside risk with investor companies. For example, Norway refunds losses to oil and gas companies with no taxable income. It is misleading to judge Australia against radically different models, which have distinguishing features that our tax-only framework does not replicate (Box 2).

Box 2: Australia's oil and gas tax regime differs fundamentally from Norway's and Qatar's

Norway co-invests and participates in its oil and gas industry. While Norway taxes net income from oil and gas at a headline rate of 78%, it shares downside risk by allowing companies to write off large upfront capital costs immediately for the petroleum tax calculation, and refunding the tax value of losses. Further, the Norwegian state owns 67% of Equinor ASA, which accounts for 70% of all oil and gas production on the Norwegian shelf, and directly participates in petroleum activities through its State Direct Financial Interest mechanism and its licensee Petoro AS. Through both direct participation and its tax system, Norway shares project costs and risks upfront, rather than leaving companies to bear early-stage losses alone, as is the case in Australia.

Qatar typically takes a large ownership stake in oil and gas projects through its national company, QatarEnergy. Because the government earns revenue through this ownership, rather than relying only on taxes, private investors face lower upfront costs and risks. While Qatar does not refund tax losses like Norway, its equity participation means the government shares both costs and profits in proportion to its stake. Qatar also maintains relatively low tax rates and has low production costs, contributing to its strong competitiveness.

In contrast, Australia relies more on taxation and places the bulk of upfront project risks on the private sector. Australia imposes a 30% company tax and 40% PRRT (for offshore projects in Commonwealth waters), as well as state royalties (for onshore projects); yet costs can only be deducted and losses carried forward over time. This means that tax benefits under the Australian fiscal regime are more delayed and less certain than in Norway and Qatar.

Increasing gas taxation would undermine the Gas Market Review's objective of encouraging long-term investment through regulatory stability and efficiency. The Gas Market Review concluded that "fundamental reform is needed" to establish "a more efficient, streamlined regulatory framework supported by complementary measures", and to "improve investor confidence by establishing clear, predictable, and transparent market settings, supporting supply security in the long term".[26] Introducing a blunt, costly and retrospective tax on LNG exports would preclude these desired outcomes.

[26] Department of Climate Change, Energy, the Environment and Water and Department of Industry, Science and Resources, *Gas Market Review Report*, 22 December 2025, pp. 5, 89.