

Australian oil and gas sector tax payments under increasing commodity prices

In Australia, upstream oil and gas exploration and production licences are awarded under concession terms through licensing rounds and direct negotiation. All oil and gas projects are subject to Corporate Income Tax (CIT) on profits at a rate of 30%. Onshore projects fall under State jurisdiction, and pay royalties and/or excise on hydrocarbon production. Royalty rates vary from 10% to 12.5% depending on which State the block is located in. Excise duties can range from 0% to 55% for oil and condensate, with an exemption for the first 30 million barrels produced.

Offshore projects located more than three nautical miles from the baseline (under Federal jurisdiction) are exempt from royalties and excise duties (with the exception of North West Shelf which is subject to Federal royalties and Federal excises). These projects are subject to and pay Petroleum Resource Rent Tax (PRRT) at a rate of 40%. Additionally, offshore projects pay an offshore petroleum levy to recover the costs of decommissioning and remediating the Laminaria and Corallina oilfields and associated infrastructure, charged at A\$0.48/bbl for all offshore production. On an aggregate basis, approximately two-thirds of Australia's total pre-tax cash flow is generated from offshore assets that are subject to the PRRT fiscal regime. In 2024, the Australian Taxation Office noted that some oil and gas companies are now amongst the largest taxpayers in Australia¹.

At a US\$70/bbl Brent oil price assumption (which represents a typical long-term Brent oil price assumption used by industry and Government), **Australian upstream and midstream oil and gas projects are forecast to pay approximately A\$76.4 billion in taxes and royalties to Federal and State Governments over the period 2026 to 2030. At a US\$120/bbl Brent oil price assumption, this figure would increase to A\$159.8 billion in taxes and royalties to Federal and State Governments over the period.**

PRRT is the most price-sensitive tax, while corporate income tax delivers the largest absolute revenue gains. **The total PRRT paid over the 2026-30 period increases 189.3% (A\$13.5bn to A\$38.95bn) when the Brent oil price rises by 71% (from US\$70/bbl to US\$120/bbl).** CIT receipts increase by 92.6% (A\$53.5bn to A\$102.9bn) against this 71% increase in Brent oil price. Our analysis is limited to Total Government Take resulting from PRRT, Royalties, Levies and CIT, however – as with other industries – the oil and gas industry also collects and pays Goods and Services Tax (GST) and pays employee related taxes including employee PAYG taxes, payroll taxes and Fringe Benefit Tax (FBT).

Australia's tax framework captures substantial upside from higher prices, even under a declining price path. Where the oil price declines from US\$120/bbl to US\$70/bbl over the period, Australian upstream and midstream oil and gas projects are forecast to pay approximately A\$120.5 billion in taxes and royalties, an increase of 57.7% relative to the US\$70/bbl scenario.

Analysis of oil and gas sector tax payments under increasing commodity prices

Australia's current fiscal terms are designed to deliver increasing contributions to Government as commodity prices increase. The below analysis considers four price scenarios to determine the overall contribution by Australian oil and gas projects to Government tax receipts in the period 2026 to 2030. The four price scenarios for Brent oil (in Real 2026 terms) are:

1. Constant US\$70/bbl
2. Constant US\$100/bbl
3. Constant US\$120/bbl
4. Straight-line decreasing Brent oil price – US\$120/bbl in 2026 to US\$70/bbl in 2030.

Cumulative Total Government Take by price scenario – 2026-30

At the current long-term Brent oil price assumption of US\$70/bbl, Total Government Share of pre-tax cashflow of Australia's oil and gas projects would total A\$76.4 billion over the period 2026 to 2030. As Brent oil price increases, the nature of both CIT and PRRT means that this Total Government Share should increase in dollar terms.

Analysis shows that Total Government Share of Pre-Tax Cashflow increases strongly (in dollar terms) as Brent oil prices increase. Total Government Share over the period 2026 to 2030 increases from A\$76.4 billion under a constant US\$70/bbl scenario, to A\$159.8 billion under a constant US\$120/bbl scenario. **This represents a 109% increase in Total Government Take (in dollar terms) for a corresponding 71% increase in Brent oil price.** This increase is driven by increases in CIT, PRRT and Royalty payments, which are linked to increased pre-tax profit and revenue generated under higher commodity prices.

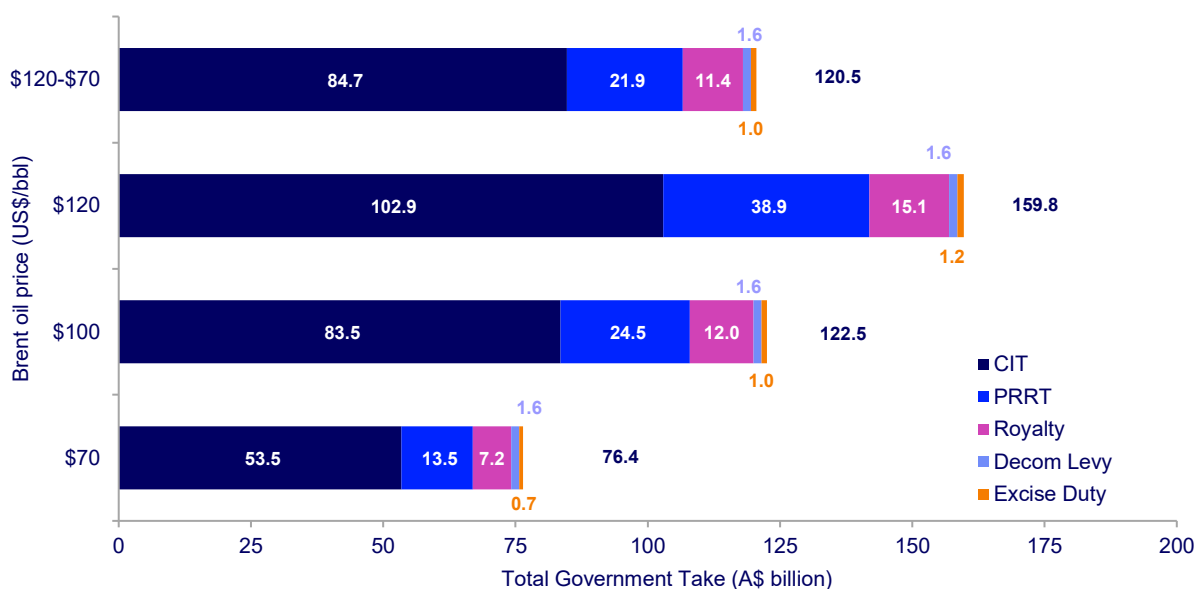
¹ Corporate Tax Transparency Report 2022-2023, Australian Taxation Office, published 1 November 2024.

Cumulative Total Government Take by price scenario – 2026-30

Price Scenario	CIT (A\$ bn)	PRRT (A\$ bn)	Royalty (A\$ bn)	Decom Levy (A\$ bn)	Excise Duty (A\$ bn)	Total (A\$ bn)	Increase
1 US\$70/bbl	53.5	13.5	7.2	1.6	0.7	76.4	-
2 US\$100/bbl	83.5	24.5	12.0	1.6	1.0	122.5	+60.3%
3 US\$120/bbl	102.9	38.9	15.1	1.6	1.2	159.8	+109.0%
4 US\$120 to \$70/bbl	84.7	21.9	11.4	1.6	1.0	120.5	+57.7%

The declining price scenario, where Brent oil price falls in a straight line from US\$120/bbl in 2026 to US\$70/bbl in 2030, represents a plausible pathway for oil prices over the period – reflecting current elevated oil prices falling back to the long-term Brent oil price assumption over 5 years. This scenario exhibits a similar Total Government Share to the constant US\$100/bbl scenario, with a more than 57% increase in tax payments to Government compared to the US\$70/bbl scenario.

Contributors to Total Government Take by price scenario – 2026-30



Over the period analysed, PRRT is the form of oil and gas project taxation that is most sensitive to commodity prices – **the total PRRT paid over the 2026-30 period increases 189.3% (A\$13.5bn to A\$38.9bn) when the Brent oil price rises by 71% (from US\$70/bbl to US\$120/bbl)**. CIT (in dollar terms) is also highly correlated to commodity prices, though less so than PRRT as the payment of PRRT is deductible against CIT. As a result, CIT receipts increase by 92.6% (A\$53.5bn to A\$102.9bn) against the 71% increase in Brent oil price. In dollar terms, though, CIT represents the largest component of increased Total Government Take – rising A\$49.5bn with an increase in Brent oil price from US\$70 to US\$120/bbl.

Overall, Australia’s current terms present a progressive fiscal regime, with increases in Total Government Share of pre-tax cashflows over the period 2026 to 2030 in both percentage and dollar terms, with the latter growing at a faster rate than the corresponding increase in Brent oil price that would underpin those tax receipts.

Modelling assumptions & methodology

Wood Mackenzie's Upstream Lens Valuations Service models 96 Australian assets across various development stages, with individual cash flow projections spanning full asset life cycles.

Negative cashflows as a result of cessation of production and associated abandonment spending were considered in the analysis as they may generate PRRT credits. The potential credits related to these 10 assets do not change the results of the analysis as they represent less than 1% of total tax payments over the analysis period.

The cash flow is modelled for four benchmark price scenarios and assume the following exchange rates:

Benchmark price scenarios

Brent oil price (US\$/bbl nominal)	\$70	\$100	\$120	\$120-\$70
2026	70.0	100.0	120.0	120.0
2027	71.4	102.0	122.4	109.7
2028	72.8	104.0	124.8	98.8
2029	74.3	106.1	127.3	87.5
2030	75.8	108.2	129.9	75.8

Foreign exchange rate

Year	Exchange rate (US\$ / A\$)
2026	1.51
2027	1.47
2028	1.42
2029	1.39
2030	1.38

We assume a price and cost inflation of 3.2% in 2026 and flat 2% per year thereafter. Cash flows are computed on an undiscounted basis.

Pre-tax Cash Flow: Gross revenue from oil and gas sales, less operating costs (OPEX) and capital expenditure (CAPEX).

Total Government Take (A\$ dollar terms): Aggregate fiscal contributions including corporate income tax (CIT), royalties, petroleum resource rent tax (PRRT), decommissioning levy, and excise duty, calculated per asset under each asset's specific fiscal regimes.

Total Government Share (%): Total government share as a proportion of pre-tax cash flow, representing the government's effective take under applicable fiscal terms.

Disclaimer

Strictly Private & Confidential

These materials, including any updates to them, are published by and remain subject to the copyright of the Wood Mackenzie group ("Wood Mackenzie"), or its third-party licensors ("Licensors") as relevant, and are made available to clients of Wood Mackenzie under terms agreed between Wood Mackenzie and those clients. The use of these materials is governed by the terms and conditions of the agreement under which they were provided. Wood Mackenzie makes no warranty or representation about the accuracy or completeness of the information and data contained in these materials, which are provided 'as is'. The opinions expressed in these materials are those of Wood Mackenzie and do not necessarily represent our Licensors' position or views. Nothing contained in them constitutes an offer to buy or to sell securities, or investment advice. Wood Mackenzie's products do not provide a comprehensive analysis of the financial position or prospects of any company or entity, and nothing in any such product should be taken as comment regarding the value of the securities of any entity. If, notwithstanding the foregoing, you or any other person relies upon these materials in any way, Wood Mackenzie does not accept, and hereby disclaims to the extent permitted by law, all liability for any loss and damage suffered arising in connection with such reliance.

Copyright © 2026, Wood Mackenzie Limited. All rights reserved.