2026-27 PRE-BUDGET SUBMISSION

Australian Energy Producers | 30 January 2026

The Australian oil and gas industry is essential to Australia's energy security and economic prosperity.

The Australian oil and gas industry provides households and businesses with reliable and affordable energy, while contributing $105 billion annually to the national economy, paying $21.9 billion in taxes and royalties to federal and state governments in 2024-25, and supporting 215,000 jobs across the value chain.

The Australian Government's Future Gas Strategy confirmed natural gas will play a critical role in Australia's energy mix to 2050 and beyond, and continued investment in exploration and production is needed to meet this long-term demand.

The Australian Energy Market Operator (AEMO) forecasts gas shortfalls from 2028 on the east coast, and from 2030 in the west, unless new supply is brought online sooner. Without continued investment and delivery of new gas projects, Australian households and businesses face higher energy prices, uncertain gas supply and increased risk of blackouts.

The Australian Government's Gas Market Review affirmed that there is a limited window to achieve the fundamental reform necessary to avoid forecast shortfalls, secure domestic supply and encourage new investment to develop gas resources. The report states that: "Ensuring Australia's domestic market is adequately supplied at lower prices will require new supply, ongoing investment, and a more efficient, streamlined regulatory framework supported by complementary measures."[1]

Natural gas is Australia's third largest export commodity and is critical to the energy security and decarbonisation of Asian economies. Growing LNG demand in Southeast Asia presents new strategic and economic opportunities for Australia in our region. Wood Mackenzie forecasts global LNG demand to rise 58% by 2050, with Asia Pacific's share of demand rising from 63% to 75%.[2]

The 2026-27 Budget presents an opportunity for the Australian Government to ensure Australia's economic and energy security by removing barriers to new gas supply and restoring our global competitiveness for investment in new gas exploration and development.

Summary of recommendations

- Work with industry to design a prospective east coast gas reservation policy that supports a competitive and well-supplied domestic gas market, while providing investment certainty for gas producers and users
- Commit to actions to accelerate new gas supply and streamline approvals to address forecast shortfalls, including identifying and fast-tracking 'development ready' gas supply
- Deliver gas market reforms to improve market functioning and efficiency
- Ensure reforms to the EPBC Act deliver streamlined approvals and increased certainty for gas supply and infrastructure projects

[1] Department of Climate Change, Energy, the Environment and Water and Department of Industry, Science and Resources, *Gas Market Review Report*, December 2025, p. 5.
[2] Wood Mackenzie, *Australia's Natural Gas Investment Competitiveness*, prepared for Australian Energy Producers, May 2025, p. 2.

- Return to annual offshore exploration acreage releases
- Clarify consultation requirements under the *Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2023.*
- Avoid imposing any new or higher taxes on the Australian gas industry, including the net cashflow tax proposed by the Productivity Commission
- Work across agencies with industry to establish a sustainable national decommissioning financial assurance framework, based on the well-tested United Kingdom approach
- Support greater deployment of carbon capture, utilisation and storage (CCUS) to ensure a least-cost path to net zero emissions

New gas supply is essential to delivering secure, affordable and sustainable energy supplies for the Australian economy.

Natural gas is essential to Australia's energy security and economic growth. Our manufacturing, mining, electricity and construction sectors all depend on reliable and affordable gas supply. As the Australian Government's Future Gas Strategy confirmed, gas will play a critical role in Australia's energy mix to 2050 and beyond.

Natural gas is also central to emissions reductions and meeting net zero, supporting the transition away from coal, providing the firm dispatchable energy required to unlock large-scale renewable energy deployment, and powering Australian industries including those processing the critical minerals necessary for net zero.

The Future Gas Strategy recognised the need for continued investment in gas exploration and development to avert near-term shortfalls and meet Australia's energy needs to 2050 and beyond. It found, "Without further investment in new gas supply and gas infrastructure, these shortfalls will negatively affect Australian households and businesses, and the reliability of our electricity system."[3] Australia has enough undeveloped gas resources to meet our long-term domestic gas needs and remain a reliable energy partner in our region. The Australian Competition and Consumer Commission (ACCC) confirmed, "The east coast has sufficient gas reserves and resources to meet projected domestic demand for at least the next decade. However, a combination of policy, technical and commercial factors over the past 15 years has impeded their development." It recommended, "The ACCC considers it critical to gas market efficiency and long-term energy security that underlying impediments to the development of domestic supply are addressed."[4]

AEMO has also recognised the need for continued investment in gas infrastructure, including pipeline and storage capacity, to mitigate supply constraints during peak periods.[5] Pipelines from the north to southern states already run at over 100% capacity during peak times. New pipeline capacity will also be required to connect new supply to market, such as from the Beetaloo Basin to the east coast.

The Gas Market Review is an opportunity to future-proof the east coast gas market and break the cycle of short-term fixes and looming shortfalls that have resulted in a system that is complex, inefficient and stifling competition and supply in the market.

Existing regulatory instruments have raised costs and increased uncertainty in east coast gas markets. The Gas Market Review found that current regulations have neither addressed structural shortfalls, nor provided the certainty required to encourage investment in new supply, nor helped to maintain Australia's reputation as a reliable trading partner.[6] The report found the Australian Domestic Gas Security Mechanism, Gas Market Code and Heads of Agreement have added to the commercial risks of large, multi-year projects, "introduced inflexible processes" and contributed to "a growing compliance burden across the gas sector."[7]

Australian Energy Producers supports the introduction of a prospective reservation scheme

[3] Department of Industry, Science and Resources, *Future Gas Strategy*, May 2024, p. 30.
[4] *Gas Inquiry 2017-2030 Interim update on east coast gas market*, June 2025, p. 4.
[5] AEMO, *2025 Gas Statement of Opportunities for Australia's East Coast Gas Market*, March 2025, p. 83.
[6] Department of Climate Change, Energy, the Environment and Water and Department of Industry, Science and Resources, *Gas Market Review Report,* 22 December 2025, pp. 46, 80f.
[7] ibid., p. 76.

for the east coast gas market that is linked to new supply. The reservation scheme should be:

- Prospective, well-designed and thoughtfully implemented in consultation with industry to provide investors with confidence
- Accompanied by complementary measures to encourage additional investment in gas exploration and development, including from southern states

The government's proposal to require LNG producers to sell a proportion of gas to domestic users rather than the current requirement to offer reserved gas on reasonable terms, risks artificially oversupplying the market and discouraging investment in new sources of supply needed for Australia's long-term energy security.

The Gas Market Review also highlighted the role of "a range of other regulatory frameworks which significantly impact Australia's gas market, including Commonwealth and State and Territory frameworks relating to exploration and production licensing, taxation and royalties, environmental and safety approvals, and carbon abatement."

"While these regulations are outside the scope of the Review, these frameworks are critical to the ability of Australia's gas markets to deliver on key policy objectives, including the principles established by the Future Gas Strategy. From a Commonwealth perspective, the Review is particularly mindful of the impact of offshore and environmental approvals laws and the need for reform to improve the efficiency of such approval processes." [8]

The Government's recent announcement to open five new areas in the Otway Basin for offshore petroleum exploration was a welcome step towards ensuring Australia's long-term supply of reliable and affordable gas.

Industry will continue to engage constructively on the design and implementation of the reforms to ensure they deliver on the review's objectives of a competitive, well-functioning gas market for the long-term.

Recommendations

- Work with industry to design a prospective east coast gas reservation policy that supports a competitive and well-supplied domestic gas market in the medium to long term, while providing investment certainty for gas producers and users
- Commit to actions to address near-term supply pressures including:
    - Fast-tracking 'development ready' gas supply
    - Streamlining approvals for new and expanded gas projects
    - Facilitating an increase in gas pipeline and storage capacity
- Return to annual offshore exploration acreage releases
- Deliver gas market reforms to improve market functioning and efficiency

Remove regulatory barriers for new gas supply and investment.

Australia's oil and gas industry supports well-designed environmental laws that strengthen environmental outcomes while reducing unnecessary administrative burden and providing certainty to industry.

However, regulatory uncertainty and extended permitting delays, combined with an increasing risk of activist 'lawfare' and approvals being reversed, are having a significant impact on project development and investor confidence. A report by Wood Mackenzie commissioned by Australian Energy Producers last year found 95% of Australian gas company CEOs reported having a project directly impacted by regulatory interventions in the past five years. Of these impacted projects, one in five were cancelled

[8] Department of Climate Change, Energy, the Environment and Water and Department of Industry, Science and Resources, *Gas Market Review Report,* 22 December 2025, p. 21.

or relocated offshore, and almost half were significantly delayed.[9]

Assessments under the *Environment Protection and Biodiversity Conservation Act* (EPBC Act) can take several years, delaying critical projects and adding significant costs at a time when bringing on new gas supply is critical. AEMO and the ACCC have identified environmental approval delays as a key reason for project delays and declining investment.

Australian Energy Producers supports the Government's intent to modernise the EPBC Act to deliver faster and simpler approvals. However, the explicit exclusion of oil and gas projects from certain strategic and streamlined approvals pathways following amendments passed last year, undermine the Act and risk limiting the benefits of the reforms for critical new gas supply projects. This also impacts investor certainty and is at odds with the consistent recommendations from AEMO and the ACCC for governments to remove regulatory barriers to new gas supply.

Meanwhile, offshore oil and gas projects are also encountering lengthy delays, onerous consultation requirements, and increased risk of legal challenges as a result of the legal ambiguity in the *Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2023.* The Future Gas Strategy identified "clarifying consultation requirements for offshore petroleum and greenhouse gas storage activities" as an "immediate action". However, these reforms have not been progressed.

These regulatory hurdles and delays add significant cost to developing new gas projects and ultimately add to cost-of-living pressures for ordinary Australians and reduce the overall efficiency of the economy. Australia's energy security, economic growth and productivity would significantly benefit from measures to remove these regulatory barriers.

Recommendations

- Ensure reforms to the EPBC Act deliver streamlined approvals and increased certainty for gas supply and infrastructure projects
- Clarify consultation requirements under the *Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2023*

The Australian oil and gas industry is a key driver of the Australian economy.

The Australian gas industry paid a record $21.9 billion in taxes and royalties in 2024-25. This is up from $21.5 billion in 2023-24 and is equivalent to the total annual cost of the Pharmaceutical Benefits Scheme.[10] The gas industry remains the second-highest corporate taxpayer in Australia, accounting for one in every ten company tax dollars paid. The ATO has confirmed the industry paid $10.4 billion in company tax in 2023-24 alone[11] and Treasury forecasts the Petroleum Resource Rent Tax (PRRT) will raise $5.4 billion in revenue over the next four years.[12]

The gas industry is one of the most productive sectors in Australia, contributing more than $100 billion to the Australian economy each year and accounting for 3.7% of Australia's gross domestic product. The industry supports more than 215,000 Australian jobs along the gas supply chain, many of which are in regional and remote communities where the industry operates. 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.[13]

LNG exports boost national income and support domestic energy security. LNG is Australia's third-largest export, contributing $65 billion in 2024-25.[14] The industry has invested more than $400 billion 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 industry. The Gas Market Review observed: "Establishing an LNG export industry has enabled the development of gas resources that would otherwise not be commercially viable, providing Australia with energy security."[15]

[9] Wood Mackenzie, *Australia's Natural Gas Investment Competitiveness*, prepared for Australian Energy Producers, May 2025.
[10] Australian Energy Producers, *Financial Survey 2025*, 2025; Commonwealth Treasury, *Budget 2025-26, Budget paper 1*, p. 120.
[11] See Australian Taxation Office, *2023-24 Report of Entity Tax Information*, updated 2 October 2025.
[12] Commonwealth Treasury, *Mid-Year Economic and Fiscal Outlook 2025-26*, p. 62.
[13] KPMG, *Economic Contribution of the Gas Industry*, 2025.
[14] Department of Industry, Science and Resources, *Resources and Energy Quarterly*, December 2025, p. 14.
[15] DCCEEW and DISR, *Gas Market Review Report,* 22 December 2025, p. 1.

Stable and competitive tax settings are critical to investment and productivity

Attracting continued international investment is vital to Australia's productivity performance. The Productivity Commission emphasises that lower rates of business investment mean less capital per worker, and lower productivity growth. The Commission further notes that: "Notably, as a small open economy, the marginal investor in Australia is typically assumed to be the foreign investor rather than the domestic investor, an assumption supported by empirical analysis."[16] Australia is usually a net importer of capital. Capital flows into Australia fill the gap between domestic savings and investment, alleviating the need for additional debt.

Foreign direct investment is vital to Australia's gas industry, facilitating transfers of technology, skills and capabilities, as well as access to global supply chains and export markets. However, as Wood Mackenize observes: "Over the past decade, Australia has seemingly experienced a decline in its attractiveness as a destination for investment capital in the natural gas and LNG sector."[17] Wood Mackenzie affirms that increased policy uncertainty is translating to higher risk and costs for international and domestic gas producers alike.

Australia's company tax rate is among the highest in the developed world. Australia's *statutory* company tax rate of 30% (for companies with annual turnover greater than $50 million) is the fifth highest (alongside Costa Rico and Mexico) in the Organisation for Economic Co-operation and Development (OECD) and well above other major gas producing member states such as the United States (25.6%), Canada (26%) and Norway (22%). In addition, Australia's *effective* marginal company tax rate of 28.5% is the third highest in the OECD.[18]

The Productivity Commission's final reports on its 'five pillars' inquiries recommended the introduction of a net cashflow tax and two-tier company tax system. Despite acknowledging stakeholders are "overwhelmingly opposed" to the proposal, the Commission has kept its recommendation to impose an experimental net cashflow tax of 5% on all companies.[19] The Commission proposes cutting the company tax rate to 20% for companies with annual revenue less than $1 billion and 28% for companies with annual revenue of $1 billion or more. This segmented approach would still leave larger companies in Australia with a headline rate well above the OECD average (24.2%) and above other major gas-producing countries.

Australian Energy Producers co-signed a statement with 22 other business groups in the Alliance of Industry Associations warning the proposed net cashflow tax would result in higher prices for households, increased inflationary pressure, reduced investment and slower economic growth.[20] Australian Energy Producers considers that business tax reform proposals should simplify and improve investment incentives for all enterprises, not add complexity or discourage productivity-enhancing international investment.

Recommendations

- Avoid imposing any additional taxation on the Australian gas industry, including a net cashflow tax, recognising the importance of stable and internationally competitive tax settings in attracting investment
- Streamline tax compliance obligations and implement the outstanding recommendations of the Callaghan Review

Decommissioning

Australia's offshore oil and gas industry is entering a phase of major decommissioning works, with an estimated $43.6 billion in decommissioning activity expected over the next 30–50 years. Industry is working closely with the Australian Government and regulators to ensure these works continue to deliver economic benefits to Australia, and are done safely and with minimal environmental impact within a regulatory framework that holds titleholders accountable for their decommissioning obligations.

[16] Productivity Commission, *Creating a more dynamic and resilient economy*, Inquiry report no. 109, December 2025, p. 20.
[17] Wood Mackenzie, *Australia's Natural Gas Investment Competitiveness*, May 2025, p. 28.
[18] Organisation for Economic Co-operation and Development, "Corporate income tax statutory and targeted small business rates" (combined federal and state government) and "Effective tax rates - Corporate tax statistics", *OECD Data Explorer*, November 2025.
[19] Productivity Commission, *Creating a more dynamic and resilient economy*, Inquiry report no. 109, December 2025, p. 6.
[20] Alliance of Industry Associations, *Joint Statement,* 19 December 2025.

A fit-for-purpose decommissioning framework for Australia's offshore oil and gas industry is critical to maintaining a safe, environmentally sound and sustainable offshore oil and gas industry. Clear and consistent decommissioning and financial assurance settings will help ensure titleholders meet their environmental and decommissioning obligations, while supporting a competitive industry that continues to deliver energy security, economic activity and employment for Australia. The framework should also provide clear, evidence-based pathways to allow offshore oil and gas infrastructure to be left in place where environmental outcomes are equal to or better than full removal.

A national offshore Financial Assurance Framework is urgently needed to support a balanced and commercially practical approach to managing the risk of unfunded decommissioning liabilities. Australian Energy Producers has worked with its members to develop an industry-endorsed Financial Assurance Framework that should form the basis for fast-tracking the implementation of a national framework. The proposed Framework would complement Australia's existing regulatory regime under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGSA), including joint and several liability and the strengthened trailing liability provisions introduced in 2021.

Industry has provided extensive analysis and detailed policy input to government over many years on decommissioning financial assurance and financial risk management. This substantial body of work – including evidence drawn from over 25 years of UK industry experience – provides a robust foundation to accelerate the finalisation of a decommissioning and financial assurance framework in Australia.

Recommendation

- Fast-track the implementation of a national offshore financial assurance framework based on the United Kingdom approach in partnership with industry
- Work across agencies with industry to establish a sustainable and evidence-based regulatory framework for decommissioning that provides flexibility and certainty for titleholders

Carbon capture, utilisation and storage (CCUS) is essential to Australia's lowest cost pathway to net zero.

Reaching net zero is virtually impossible without carbon capture, utilisation and storage (CCUS). The International Energy Agency, Intergovernmental Panel on Climate Change, CSIRO and the Net Zero Australia initiative are all clear that CCUS is essential to reaching net zero. CCUS plays a unique role among a portfolio of emissions reduction technologies as it can address emissions from existing facilities and from hard-to-abate industry, including ammonia, iron and steel, and cement production. CCUS also underpins large-scale engineered carbon dioxide removal technologies and, combined with natural gas, is the most affordable pathway to low-carbon hydrogen today.

Australia is a global leader in CCUS, hosting two of the largest dedicated CO_2 storage projects operating in the world today. Since commencing operations in 2019, the Chevron Gorgon CCS project has stored more than 12 million tonnes of CO_2 (Mt CO_2), while the Santos and Beach Energy CCS project in South Australia started operating in October 2024 and can store up to 1.7 Mt CO_2 per year. Combined, these projects are storing the equivalent to taking around one million petrol cars off the road each year.

Australia's world-class CO_2 storage resources and wealth of CCUS skills and experience within the industry provide a comparative advantage for the roll-out of CCUS. This comparative advantage can deliver large-scale emissions reductions while attracting investment in Australia to the benefit of all Australians. With the right agreements in place, Australia is also well placed to support emissions reductions in our region by partnering with other countries to transport CO_2 for permanent storage in Australia. The Future Gas Strategy committed to establishing a new Transboundary CCS Program as an immediate action to "provide options for energy security and carbon management solutions for our regional partners".[21]

Australia's current policy settings do not provide the clarity, consistency or durability required to unlock CCUS investment at scale. The lack of a national CCUS strategy, coupled with inconsistent recognition of CCUS across climate, energy and industrial policy settings, regulatory complexity and the exclusion of CCUS from key Commonwealth support mechanisms are

[21] Department of Industry, Science and Resources, *Future Gas Strategy*, May 2024, p. 6.

undermining investment confidence. Failing to adequately recognise the essential role of CCUS risks making reaching net zero and maintaining industrial competitiveness in Australia harder and more expensive.

Recommendations

- Deliver a national CCUS strategy that outlines the role of CCUS in emissions reduction and industrial development
- Ensure CCUS is eligible for support from emissions reductions policies and programs, in particular for hard-to-abate industries and for shared CO_2 transport and storage infrastructure
- Accelerate bilateral CCUS agreements with key regional partners and streamline project approvals by removing regulatory duplication