Parliamentary Budget Office

ECR-2025-3365

Powering past coal and gas – make the polluters pay	
Party:	Australian Greens
Summary of proposal: The proposal would introduce a carbon-dioxide (CO2)-equivalent emissions levy of $100 per tonne, applied to large polluters emitting at least 25,000 tonnes of CO2-equivalent annually. This proposal would commence 1 July 2025.	
Additional information (based on further advice provided): Carbon emitting facilities would pay a levy per tonne on direct[1] CO2-equivalent emissions if they produce more than 25,000 tonnes of both direct and indirect[2] CO2-equivalent emissions annually. The levy rate would increase by 4% each year and would be tax deductible. • Facilities in the agriculture or transport industries would be exempt from paying this levy. • 80% of emissions-intensive trade-exposed industry emissions would be exempt from the levy in the first year. This exemption would reduce to zero over the first 5 years of the proposal.	

Costing overview

The proposal would be expected to increase the fiscal balance by around $68.6 billion and underlying cash balance by around $63 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects an increase in administered tax revenue due to the proposed levy, partially offset by a reduction in company income tax.

The fiscal balance impact differs from the underlying cash balance impact primarily due to timing differences between when entities become liable for the levy and when levy payments are made.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

[1] Direct emissions are also known as Scope 1 emissions and refer to the emissions released to the atmosphere as a direct result of an activity, or series of activities at a facility level.

[2] Indirect emissions are also known as Scope 2 emissions and refer to the emissions released to the atmosphere from the indirect consumption of an energy commodity.

Table 1: Powering past coal and gas – make the polluters pay– Financial implications ($m)[(a)(b)]

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	16,960.0	16,759.0	17,399.0	17,462.0	**68,580.0**
Underlying cash balance	11,540.0	16,759.0	17,219.0	17,472.0	**62,990.0**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) PDI impacts are not included in the totals.

Uncertainties

- The financial implications are uncertain and sensitive to assumptions about the behavioural responses of affected entities.
- The Parliamentary Budget Office (PBO) has assumed that affected entities would continue to reduce CO2-equivalent emissions because the levy would continue to increase in real terms. However, it is also possible that some entities in both directly and indirectly affected industries would cease operating as a result of the proposal.
- Furthermore, the costs of the proposal could also be affected by exogenous factors, such as economic growth and technological developments that decrease the costs of carbon abatement.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- Due to behavioural responses from affected entities, the levy would reduce CO2-equivalent emissions by 3% each year.
- The levy liability would be calculated quarterly and paid in the following quarter.
- All manufacturing entities affected by the proposal would be considered emissions-intensive trade exposed entities.
- All entities subject to the levy would be taxable at an average tax rate of 29%.
- All entities subject to the levy would pay out 70% of their net profits as dividends to shareholders in the financial year those profits are made.
- 40% of total dividends would be paid to domestic shareholders able to claim franking credits, who have an average marginal tax rate of 32%.
- Departmental funding would be required by the Australian Taxation Office (ATO) to implement and administer the proposed levy.
  - Any additional departmental costs incurred would be absorbed by the ATO.

Methodology

- The financial impact of the levy was estimated by multiplying the estimated volume of taxable CO2-equivalent emissions by the levy rate for each financial year.
  - The volume of taxable CO2-equivalent emissions was calculated by summing the direct emissions from affected entities based on historical data and which was grown over the medium-term by emissions projections published by the Department of Climate Change, Energy, the Environment and Water (DCCEEW). The exemption provided to emissions-intensive trade-exposed industries was phased out over the first 5 years of the proposal as specified.

- The company tax impact of the levy was estimated by multiplying the value of deductions claimed by affected entities by the company tax rate. As this proposal would lower company profits and in turn distributions of dividends, the estimate in this response takes into account the imputation system flow through effect to personal income tax.
- Departmental expenses to administer the policy were based on previous measures with similar levels of administrative complexity.

Financial implications were rounded consistent with the PBO's rounding rules.[3]

Data sources

Clean Energy Regulator (CER) (2025) *Greenhouse and energy information by registered corporation 2023-24* [dataset], CER. Accessed 14 May 2025.

Commonwealth of Australia (2013) *Climate Change Mitigation Scenarios – Modelling report provided to the Climate Change Authority in support of its Caps and Targets Review*, Commonwealth of Australia. Accessed 14 May 2025.

Department of Climate Change, Energy, the Environment and Water (DCCEEW) (2024) *Australia's emissions projections 2023* [dataset], DCCEEW. Accessed 15 May 2025.

Commonwealth of Australia (2022) *2022-23 Budget*, Commonwealth of Australia.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025*, Commonwealth of Australia.

[3] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

Attachment A – Powering past coal and gas – make the polluters pay – Financial implications

Table A1: Powering past coal and gas – make the polluters pay – Fiscal balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Revenue													
Administered tax													
Carbon levy	*23,900.0*	*23,900.0*	*24,800.0*	*24,900.0*	*24,700.0*	*23,800.0*	*23,500.0*	*22,900.0*	*22,500.0*	*21,900.0*	*21,100.0*	***97,500.0***	***257,900.0***
Company tax	*-6,930.0*	*-6,930.0*	*-7,190.0*	*-7,220.0*	*-7,160.0*	*-6,910.0*	*-6,810.0*	*-6,640.0*	*-6,540.0*	*-6,340.0*	*-6,110.0*	***-28,270.0***	***-74,780.0***
Personal income tax	-	*-201.0*	*-201.0*	*-208.0*	*-209.0*	*-207.0*	*-200.0*	*-197.0*	*-192.0*	*-189.0*	*-184.0*	***-610.0***	***-1,988.0***
Total – administered tax	***16,970.0***	***16,769.0***	***17,409.0***	***17,472.0***	***17,331.0***	***16,683.0***	***16,490.0***	***16,063.0***	***15,768.0***	***15,371.0***	***14,806.0***	***68,620.0***	***181,132.0***
Total – revenue	**16,970.0**	**16,769.0**	**17,409.0**	**17,472.0**	**17,331.0**	**16,683.0**	**16,490.0**	**16,063.0**	**15,768.0**	**15,371.0**	**14,806.0**	**68,620.0**	**181,132.0**
Expenses													
Departmental													
Australian Taxation Office	*-10.0*	*-10.0*	*-10.0*	*-10.0*	*-10.0*	*-10.0*	*-10.0*	*-10.0*	*-10.0*	*-10.0*	*-10.0*	***-40.0***	***-110.0***
Total – departmental	***-10.0***	***-10.0***	***-10.0***	***-10.0***	***-10.0***	***-10.0***	***-10.0***	***-10.0***	***-10.0***	***-10.0***	***-10.0***	***-40.0***	***-110.0***
Total – expenses	**-10.0**	**-10.0**	**-10.0**	**-10.0**	**-10.0**	**-10.0**	**-10.0**	**-10.0**	**-10.0**	**-10.0**	**-10.0**	**-40.0**	**-110.0**
Total (excluding PDI)	**16,960.0**	**16,759.0**	**17,399.0**	**17,462.0**	**17,321.0**	**16,673.0**	**16,480.0**	**16,053.0**	**15,758.0**	**15,361.0**	**14,796.0**	**68,580.0**	**181,022.0**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

\- Indicates nil.

Table A2: Powering past coal and gas – make the polluters pay– Underlying cash balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	**Total to 2028-29**	**Total to 2035-36**
Receipts													
Administered tax													
Carbon levy	*17,900.0*	*23,900.0*	*24,600.0*	*24,900.0*	*24,700.0*	*24,000.0*	*23,600.0*	*23,000.0*	*22,600.0*	*22,000.0*	*21,300.0*	***91,300.0***	***252,500.0***
Company tax	*-6,350.0*	*-6,930.0*	*-7,170.0*	*-7,210.0*	*-7,160.0*	*-6,930.0*	*-6,820.0*	*-6,650.0*	*-6,550.0*	*-6,360.0*	*-6,130.0*	***-27,660.0***	***-74,260.0***
Personal income tax	-	*-201.0*	*-201.0*	*-208.0*	*-209.0*	*-207.0*	*-200.0*	*-197.0*	*-192.0*	*-189.0*	*-184.0*	***-610.0***	***-1,988.0***
Total – administered tax	***11,550.0***	***16,769.0***	***17,229.0***	***17,482.0***	***17,331.0***	***16,863.0***	***16,580.0***	***16,153.0***	***15,858.0***	***15,451.0***	***14,986.0***	***63,030.0***	***176,252.0***
Total – receipts	**11,550.0**	**16,769.0**	**17,229.0**	**17,482.0**	**17,331.0**	**16,863.0**	**16,580.0**	**16,153.0**	**15,858.0**	**15,451.0**	**14,986.0**	**63,030.0**	**176,252.0**
Payments													
Departmental													
Australian Taxation Office	*-10.0*	*-10.0*	*-10.0*	*-10.0*	*-10.0*	*-10.0*	*-10.0*	*-10.0*	*-10.0*	*-10.0*	*-10.0*	***-40.0***	***-110.0***
Total – departmental	***-10.0***	***-10.0***	***-10.0***	***-10.0***	***-10.0***	***-10.0***	***-10.0***	***-10.0***	***-10.0***	***-10.0***	***-10.0***	***-40.0***	***-110.0***
Total – payments	**-10.0**	**-10.0**	**-10.0**	**-10.0**	**-10.0**	**-10.0**	**-10.0**	**-10.0**	**-10.0**	**-10.0**	**-10.0**	**-40.0**	**-110.0**
Total (excluding PDI)	**11,540.0**	**16,759.0**	**17,219.0**	**17,472.0**	**17,321.0**	**16,853.0**	**16,570.0**	**16,143.0**	**15,848.0**	**15,441.0**	**14,976.0**	**62,990.0**	**176,142.0**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

\- Indicates nil.

Table A3: Powering past coal and gas – make the polluters pay– Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances ($m)[(a)(b)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Fiscal balance	*260.0*	*890.0*	*1,680.0*	*2,530.0*	*3,410.0*	*4,320.0*	*5,270.0*	*6,240.0*	*7,250.0*	*8,290.0*	*9,380.0*	***5,360.0***	***49,520.0***
Underlying cash balance	*190.0*	*730.0*	*1,490.0*	*2,320.0*	*3,190.0*	*4,100.0*	*5,030.0*	*6,000.0*	*7,000.0*	*8,030.0*	*9,110.0*	***4,730.0***	***47,190.0***

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary[4].

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

[4] Online budget glossary – Parliamentary Budget Office (pbo.gov.au)