Parliamentary
Budget Office

ECR-2025-3451

Climate change and energy – phase out thermal coal exports by 2030 and levy all coal exports	
Party:	Australian Greens

Summary of proposal:

The proposal would:

- phase out the export of thermal coal
- require tradeable permits to export coal
- place a levy on all coal exports.

Component 1 – Thermal coal

The policy will place an export cap on thermal coal exports, using tradable permits issued by the Commonwealth to decrease the maximum allowable annual thermal coal exports from 200 million tonnes in 2025 to 0 tonnes by 1 July 2030.

A levy of $1 per tonne, increasing by $1 per tonne in each subsequent year, will be paid by exporters to the Commonwealth government.

Component 2 – Metallurgical coal

A levy of $1 per tonne, increasing by $1 per tonne in each subsequent year, will be paid by exporters to the Commonwealth government.

The proposal would start on 1 July 2025.

Additional information (based on further advice provided):

Component 1 – Thermal coal

The number of available thermal coal permits (by mass of exports) would be capped and decline each year, as per the following table

Complete ban of thermal coal exports from 1 July 2030 onwards:

Year	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**2030-31**
Permit cap (Mt)	200.0	160.0	120.0	80.0	40.0	0.0

Component 2 – Metallurgical coal

Coal exporters would be required to obtain permits to export metallurgical coal. The number of available metallurgical coal permits would be uncapped (i.e. market driven).

Both components - The cost of both proposed export permits to coal exporters would be tax deductible for company tax purposes. Permits would only be available for purchase by coal exporters.

Costing overview

The proposal would be expected to increase the fiscal balance by around $805.4 million and the underlying cash balances by around $728.4 million over the 2025-26 Budget forward estimates period (see Table 1).

The financial implications primarily reflect a change in net revenue resulting from:

- additional revenue collected from sale of the proposed export permits to coal exporters
- forgone company tax revenue due to reduced profitability of coal exporters with exports being capped and the additional costs of purchasing export permits
- changes in personal income tax revenue due to lower dividend payments and lower franking credit receipts being made to domestic shareholders by coal exporters
- relatively small amount of departmental funding to administer the policy.

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.

Table 1: Climate change and energy – phase out thermal coal exports by 2030 and levy all coal exports – Financial implications ($m)[(a)(b)]

	2025-26	2026-27	2027-28	2028-29	**Total to 2028-29**
Fiscal balance	235.0	272.6	213.6	84.2	**805.4**
Underlying cash balance	208.0	242.6	200.6	77.2	**728.4**

(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 and Limitations

The financial implications are highly uncertain and sensitive to several factors, including changes in the tax to revenue ratio of coal mining companies and projected coal export volumes and prices over the medium term:

Recent reporting[1,2] shows that the production costs for thermal and metallurgical coal mining in Australia have increased sharply in the past 3 years (2023 in particular). Export prices for coal have also fallen over this period and the lower prices appear to be sustained. Adding to these production costs through a mandatory levy could result in some coal exports becoming unprofitable.

- Thermal coal permit revenues are expected to vary in-line with the cap on export quantities which are expected to be reached in each year. Despite being uncapped, metallurgical coal permit revenues are expected to be equal to current forecast export market quantities.
- Company tax and personal tax changes, which arise due to the thermal and metallurgical coal export caps and permit levies reducing company profits, are also sensitive to changes in coal prices. These impacts vary between each coal type but are significant overall because the company tax impacts of coal exports are relatively large.

[1] Cost inflation underlines thermal coal miners' fragile profits and financing risks | IEEFA

[2] Shifting sands: The evolution of coal mining costs in Australia | IEEFA

There is also some uncertainty regarding the data and taxation assumptions used in this costing where historical observations and trends have been used to forecast future results.

Additionally, the proposed policy would be likely to result in a range of broader flow-on economic impacts such as:

- adverse effects on businesses that support coal mining companies
- reduced mining industry employment
- downward pressure on the exchange rate, which would also have flow-on effects on state government revenue and payments due to royalties.

As per the PBO's policy costing guidelines under the Charter of Budget Honesty, the financial implications of such broader macroeconomic effects have not been included in the costing.

The PBO has not included any industry-specific responses to the proposal (such as any substitution of mining activity) in this analysis.

Key assumptions

General

- All companies that export thermal or metallurgical coal have an aggregate annual turnover greater than $50 million and hence are subject to the 30% company tax rate.
- All affected companies are in a taxable financial position, with sufficient taxable income against which to fully deduct the cost of coal export permit-related expenses.
- The date of announcement for this proposal would not give affected companies sufficient time to bring forward production.
- All shareholders of affected companies receive fully franked dividends.
- Purchasable permits will not be sold by the purchaser to other coal miners or other intermediaries.

Commodities

- Projected thermal and metallurgical coal export volumes over the medium term, without the impact of the proposal, are based on forecast export volumes published by the Department of Industry, Science and Resources (March 2025 update).
- The market prices for thermal and metallurgical coal are based on the latest available projections as at the 2025-26 Budget.
- The proposal would have no material impact on global commodity prices.

Company taxes

- The coal export caps would reduce exporter profits and therefore lower company tax revenue. The reduction in tax payable by affected companies were calculated based on the average ratio of tax payable to total income for coal mining companies as calculated from the 2018-19 to 2021-22 Taxation Statistics.

Individual taxes

- The reduction in exporter profits would lower dividend distributions made to company shareholders and therefore lower individual income tax revenue. It is assumed that:

- 75% of company profits are distributed to shareholders as dividend payments.
- Roughly 29% of shareholders are domestic shareholders who are eligible for franking credits.
- Domestic shareholders have an average marginal tax rate of 29%.

Methodology

Export permit revenue

Permit revenue was calculated by multiplying the commodity export volumes estimated for thermal and metallurgical coal under the proposal by the permit prices.

Company tax revenue forgone

The tax-deductible permits purchased by coal exporters would be expected to reduce their taxable income and decrease company tax revenue. The reduction in company tax revenue due to the tax deductibility of permits purchased by coal exporters was calculated by multiplying the estimated permit revenue by the general company tax rate (30%).

The reduction in company tax revenue as a result of reduced thermal coal exports due to the cap on exports was calculated by multiplying the average baseline tax-to-income ratio of mining companies by the expected reduction in company income. The change in company income was calculated as the volumes of thermal and metallurgical coal not exported due to the cap multiplied by the market prices.

Individual tax revenue forgone

The reduction in dividends paid to shareholders was calculated based on the costs by coal exporters to purchase export permits and the reduced profits from the cap on exports.

The individual tax revenue change was estimated by multiplying the expected reduction in dividends by the average marginal tax rate of shareholders and subtracting the lost franking credits. This results in a small revenue gain due to the difference between the company tax rate (30%) and the assumed average marginal tax rate (29%).

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

Data sources

Australian Taxation Office, *Changes to company tax rates*, accessed 16 May 2025.

Australian Taxation Office, *Taxation statistics 2021-22*, accessed 16 May 2025.

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

Institute for Energy Economics and Financial Analysis (2024) Shifting sands: The evolution of coal mining costs in Australia | IEEFA. Institute for Energy Economics and Financial Analysis website, accessed 16 May 2025.

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

Institute for Energy Economics and Financial Analysis (2024) Cost inflation underlines thermal coal miners’ fragile profits and financing risks | IEEFA. Institute for Energy Economics and Financial Analysis, accessed 16 May 2025.

Office of the Chief Economist, Resources and energy quarterly: March 2025 | Department of Industry Science and Resources. Canberra: Department of Industry, Science and Resources, accessed 16 May 2025.

Attachment A – Climate change and energy – phase out thermal coal exports by 2030 and levy all coal exports – Financial implications

Table A1: Climate change and energy – phase out thermal coal exports by 2030 and levy all coal exports – Fiscal balances ($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													
Tax revenue													
Administered tax													
Permit Revenue (Thermal Coal)	*200.0*	*320.0*	*360.0*	*320.0*	*200.0*	-	-	-	-	-	-	***1,200.0***	***1,400.0***
Company tax (Thermal Coal)	*-80.0*	*-300.0*	*-520.0*	*-730.0*	*-920.0*	*-1,090.0*	*-1,110.0*	*-1,120.0*	*-1,130.0*	*-1,150.0*	*-1,160.0*	***-1,630.0***	***-9,310.0***
Personal Income tax (Thermal Coal)	-	*1.1*	*3.3*	*5.3*	*7.1*	*8.4*	*9.5*	*9.6*	*9.7*	*9.8*	*9.9*	***9.7***	***73.7***
Permit Revenue (Metallurgical Coal)	*160.0*	*350.0*	*520.0*	*690.0*	*840.0*	*1,010.0*	*1,180.0*	*1,350.0*	*1,520.0*	*1,690.0*	*1,860.0*	***1,720.0***	***11,170.0***
Company tax (Metallurgical Coal)	*-41.0*	*-95.0*	*-147.0*	*-199.0*	*-246.0*	*-295.0*	*-346.0*	*-397.0*	*-447.0*	*-498.0*	*-549.0*	***-482.0***	***-3,260.0***
Personal Income tax (Metallurgical Coal)	-	*0.7*	*1.5*	*2.3*	*3.0*	*3.7*	*4.5*	*5.2*	*6.0*	*6.7*	*7.5*	***4.5***	***41.1***
Total – administered tax	***239.0***	***276.8***	***217.8***	***88.6***	***-115.9***	***-362.9***	***-262.0***	***-152.2***	***-41.3***	***58.5***	***168.4***	***822.2***	***114.8***
Expenses													
Departmental													
Australian Taxation Office	*-2.0*	*-2.1*	*-2.1*	*-2.2*	*-2.2*	*-2.3*	*-2.3*	*-2.4*	*-2.4*	*-2.5*	*-2.5*	***-8.4***	***-25.0***
Department of Industry, Science and Resources	*-2.0*	*-2.1*	*-2.1*	*-2.2*	*-2.2*	*-2.3*	*-2.3*	*-2.4*	*-2.4*	*-2.5*	*-2.5*	***-8.4***	***-25.0***
Total – departmental	***-4.0***	***-4.2***	***-4.2***	***-4.4***	***-4.4***	***-4.6***	***-4.6***	***-4.8***	***-4.8***	***-5.0***	***-5.0***	***-16.8***	***-50.0***
Total – expenses	**-4.0**	**-4.2**	**-4.2**	**-4.4**	**-4.4**	**-4.6**	**-4.6**	**-4.8**	**-4.8**	**-5.0**	**-5.0**	**-16.8**	**-50.0**
Total (excluding PDI)	**235.0**	**272.6**	**213.6**	**84.2**	**-120.3**	**-367.5**	**-266.6**	**-157.0**	**-46.1**	**53.5**	**163.4**	**805.4**	**64.8**

(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: Climate change and energy – phase out thermal coal exports by 2030 and levy all coal exports –Underlying cash balances ($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													
Tax receipts													
Administered tax													
Permit Revenue (Thermal Coal)	*183.0*	*310.0*	*357.0*	*323.0*	*210.0*	*17.0*	*-*	*-*	*-*	*-*	*-*	***1,173.0***	***1,400.0***
Company tax (Thermal Coal)	*-80.0*	*-300.0*	*-520.0*	*-730.0*	*-920.0*	*-1,090.0*	*-1,110.0*	*-1,120.0*	*-1,130.0*	*-1,150.0*	*-1,160.0*	***-1,630.0***	***-9,310.0***
Personal Income tax (Thermal Coal)	*-*	*1.1*	*3.3*	*5.3*	*7.1*	*8.4*	*9.5*	*9.6*	*9.7*	*9.8*	*9.9*	***9.7***	***73.7***
Permit Revenue (Metallurgical Coal)	*150.0*	*330.0*	*510.0*	*680.0*	*830.0*	*1,000.0*	*1,170.0*	*1,340.0*	*1,510.0*	*1,670.0*	*1,840.0*	***1,670.0***	***11,030.0***
Company tax (Metallurgical Coal)	*-41.0*	*-95.0*	*-147.0*	*-199.0*	*-246.0*	*-295.0*	*-346.0*	*-397.0*	*-447.0*	*-498.0*	*-549.0*	***-482.0***	***-3,260.0***
Personal Income tax (Metallurgical Coal)	*-*	*0.7*	*1.5*	*2.3*	*3.0*	*3.7*	*4.5*	*5.2*	*6.0*	*6.7*	*7.5*	***4.5***	***41.1***
Total – administered tax	***212.0***	***246.8***	***204.8***	***81.6***	***-115.9***	***-355.9***	***-272.0***	***-162.2***	***-51.3***	***38.5***	***148.4***	***745.2***	***-25.2***
Payments													
Departmental													
Australian Taxation Office	*-2.0*	*-2.1*	*-2.1*	*-2.2*	*-2.2*	*-2.3*	*-2.3*	*-2.4*	*-2.4*	*-2.5*	*-2.5*	***-8.4***	***-25.0***
Department of Industry, Science and Resources	*-2.0*	*-2.1*	*-2.1*	*-2.2*	*-2.2*	*-2.3*	*-2.3*	*-2.4*	*-2.4*	*-2.5*	*-2.5*	***-8.4***	***-25.0***
Total – departmental	***-4.0***	***-4.2***	***-4.2***	***-4.4***	***-4.4***	***-4.6***	***-4.6***	***-4.8***	***-4.8***	***-5.0***	***-5.0***	***-16.8***	***-50.0***
Total – payments	**-4.0**	**-4.2**	**-4.2**	**-4.4**	**-4.4**	**-4.6**	**-4.6**	**-4.8**	**-4.8**	**-5.0**	**-5.0**	**-16.8**	**-50.0**
Total (excluding PDI)	**208.0**	**242.6**	**200.6**	**77.2**	**-120.3**	**-360.5**	**-276.6**	**-167.0**	**-56.1**	**33.5**	**143.4**	**728.4**	**-75.2**

(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: Climate change and energy − phase out thermal coal exports by 2030 and levy all coal exports – 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	*4.6*	*15.0*	*25.5*	*32.6*	*33.1*	*23.9*	*10.6*	*0.9*	*-4.4*	*-5.1*	*-0.9*	***77.7***	***135.8***
Underlying cash balance	*3.5*	*12.4*	*22.9*	*30.8*	*33.0*	*26.2*	*13.9*	*3.4*	*-3.1*	*-4.9*	*-1.9*	***69.6***	***136.2***

(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)