



Green Hydrogen Production Tax Incentives - reverse	
Party:	The Coalition
Summary of proposal: The proposal would reverse production tax credits for Green hydrogen. The proposal would start on 1 July 2025.	
Additional information (based on further advice provided): This would include: <ul style="list-style-type: none"><li>• The reversal of the uncommitted funding of the following measures:<ul style="list-style-type: none"><li>– 2023-24 Budget measure - <i>Hydrogen Headstart</i><sup>1</sup></li><li>– 2024-25 Budget - <i>Future Made in Australia – Making Australia a Renewable Energy Superpower</i>, the decision relating to an additional round of <i>Hydrogen Headstart</i>.<sup>2</sup></li></ul></li><li>• The reversal of the decision under the 2024-25 Budget Measure <i>Future Made in Australia – Making Australia a Renewable Energy Superpower</i>, relating to the <i>Hydrogen Production Tax Incentive (HPTI)</i>.</li></ul>	

## Costing overview

The proposal would be expected to increase the fiscal and underlying cash balances by around \$1.53 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects a decrease in administered and departmental expenses.

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.

The Hydrogen Production Tax Incentive (HPTI) component of this costing is uncertain due to the nascent nature of the renewable hydrogen industry. There is limited data availability for renewable hydrogen production with uncertain production forecasts.

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<sup>1</sup> The 2023-24 Budget measure *Hydrogen Headstart* provided \$2 billion to accelerate development of Australia's hydrogen industry, catalyse clean energy industries, and help Australia connect to new global hydrogen supply chains. [Budget paper 2, page 71](#).

<sup>2</sup> The 2024-25 Budget measure *Future Made in Australia – Making Australia a Renewable Energy Superpower*, the additional \$1.3 billion over ten years for an additional round of the Hydrogen Headstart program, [Budget paper 2, page 68](#).

**Table 1: Green Hydrogen Production Tax Incentives - reverse – Financial implications (\$m)<sup>(a)(b)</sup>**

	2025-26	2026-27	2027-28	2028-29	<b>Total to 2028-29</b>
Fiscal balance	4.9	112.6	481.1	927.8	<b>1,526.4</b>
Underlying cash balance	4.9	112.6	481.1	927.8	<b>1,526.4</b>

(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.

## Key assumptions and Methodology

The Treasury Department provided the modelling and forecasts for the HPTI. All forecasts of the financial impacts were reversed from 1 July 2027 (anticipated start date).

Departmental costs for the Hydrogen Production Tax Incentive (and in turn, savings) were estimated using the PBO's departmental cost calculator (indexed to Wage Cost Index 3 less an efficiency dividend), using Treasury's model assumptions as a guide.

The Department of Climate Change, Energy, the Environment and Water (DCCEEW) and the Australian Renewable Energy Agency (ARENA) provided the funding profile for the Hydrogen Headstart program, funded through the 2023-24 Budget measure *Hydrogen Headstart*, and the 2024-25 Budget measure *Future Made in Australia – Making Australia a Renewable Energy Superpower* out to 2034-35.

The funding for 2035-36 was assumed to be equal to 2034-35 funding.

Funding that was marked as uncommitted was identified and reversed. Departmental funding associated with Hydrogen Head start was partially reversed, as a proportion of funding is contractually committed and would therefore require departmental funding to continue to administer the program.

Financial implications were rounded consistent with the PBO's rounding rules.<sup>3</sup>

## Data sources

The Department of Climate Change, Energy, the Environment and Water provided funding profiles for the Hydrogen Headstart program as at 25 March 2025.

Commonwealth of Australia (2023) *2023-24 Budget*, Commonwealth of Australia.

Commonwealth of Australia (2024) *2024-25 Budget*, Commonwealth of Australia.

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

<sup>3</sup> <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

## Green Hydrogen Production Tax Incentives - reverse – Financial implications

**Table 01: Green Hydrogen Production Tax Incentives - reverse – Fiscal and underlying cash balances (\$m)<sup>(a)</sup>**

	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
<b>Expenses</b>													
<b>Administered</b>													
<i>Reverse Hydrogen Production Tax Incentives</i>	-	-	240.0	690.0	1,000.0	1,220.0	1,220.0	1,220.0	1,220.0	1,220.0	1,220.0	930.0	9,250.0
<i>Reverse Hydrogen Headstart - DCCEEW</i>	1.5	1.0	-	-	-	-	-	-	-	-	-	2.5	2.5
<i>Reverse Hydrogen Headstart - ARENA</i>	0.0	100.0	234.0	234.0	155.0	117.0	115.0	127.0	122.0	121.0	121.0	568.0	1,446.0
<b>Total – administered</b>	<b>1.5</b>	<b>101.0</b>	<b>474.0</b>	<b>924.0</b>	<b>1,155.0</b>	<b>1,337.0</b>	<b>1,335.0</b>	<b>1,347.0</b>	<b>1,342.0</b>	<b>1,341.0</b>	<b>1,341.0</b>	<b>1,500.5</b>	<b>10,698.5</b>
<b>Departmental</b>													
<i>Reverse Hydrogen Headstart - DCCEEW</i>	3.4	4.8	2.2	1.9	1.9	2.0	2.9	2.7	2.0	2.0	2.0	12.3	27.8
<i>Reverse Hydrogen Headstart - ARENA</i>	-	6.8	3.3	1.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3	11.6	13.7
<i>Reverse Hydrogen Production Tax Incentives - Treasury</i>	-	-	1.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	2.0	4.8
<b>Total – departmental</b>	<b>3.4</b>	<b>11.6</b>	<b>7.1</b>	<b>3.8</b>	<b>2.6</b>	<b>2.7</b>	<b>3.6</b>	<b>3.4</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>25.9</b>	<b>46.3</b>
<b>Total – expenses</b>	<b>4.9</b>	<b>112.6</b>	<b>481.1</b>	<b>927.8</b>	<b>1,157.6</b>	<b>1,339.7</b>	<b>1,338.6</b>	<b>1,350.4</b>	<b>1,344.7</b>	<b>1,343.7</b>	<b>1,343.7</b>	<b>1,526.4</b>	<b>10,744.8</b>
<b>Total (excluding PDI)</b>	<b>4.9</b>	<b>112.6</b>	<b>481.1</b>	<b>927.8</b>	<b>1,157.6</b>	<b>1,339.7</b>	<b>1,338.6</b>	<b>1,350.4</b>	<b>1,344.7</b>	<b>1,343.7</b>	<b>1,343.7</b>	<b>1,526.4</b>	<b>10,744.8</b>

(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. 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 A2: Green Hydrogen Production Tax Incentives - reverse – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)<sup>(a)(b)</sup>**

	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
<b><i>Fiscal balance</i></b>	..	3.0	16.0	48.0	96.0	156.0	223.0	294.0	368.0	446.0	527.0	67.0	2,177.0
<b><i>Underlying cash balance</i></b>	..	2.0	13.0	40.0	84.0	141.0	207.0	276.0	349.0	426.0	507.0	55.0	2,045.0

- (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<sup>4</sup>.
- (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.
- .. Not zero but rounded to zero.

<sup>4</sup> [Online budget glossary – Parliamentary Budget Office \(pbo.gov.au\)](https://pbo.gov.au/)