Parliamentary Budget Office

ECR-2025-3123

Powering past coal and gas – Make gas exporters pay taxes and royalties	
Party:	Australian Greens
Summary of proposal: The proposal would end special tax treatment for fossil fuels by closing loopholes such as accelerated asset depreciation and the immediate deduction for exploration and prospecting in the oil and gas sector. The proposal would also mandate the payment of royalties. The proposal has two components that would have effect from 1 July 2025.	
Additional information (based on further advice provided): ***Component 1*** Replace the existing petroleum resource rent tax (PRRT) method of uplifting excess expenditure to future years that relates to PRRT projects with the following method: • All excess expenditure recorded before the implementation date would be immediately deducted against PRRT profit. Any unused excess expenditure incurred before the implementation date would not be carried forward to future years. • All expenditure, including general expenditure, incurred after the implementation date, would be deducted based on prime cost depreciation over 15 years so that 6.66% of the expenditure would be deducted each year. There would be no uplift factor applied to unused expenditure. In addition to the offshore gas projects that are liable to pay PRRT currently, the following 4 onshore projects would be included in the PRRT calculation: • Australian Pacific LNG • Cooper Basin • Gladstone LNG Project • Queensland Curtis LNG Project ***Component 2*** Place a 10% royalty on offshore projects (excluding the North West Shelf project) that are subject to the PRRT. Royalty payments would be creditable against PRRT liabilities on a one-for-one basis and treated as a deductible expense in calculating company tax liabilities. Any royalties paid that are not credited against PRRT liabilities in a year would be carried forward, to be credited against PRRT liabilities in a later year.	

Costing overview

The proposal would be expected to increase the fiscal and underlying cash balances by around $54.4 billion and $49.8 billion, respectively, over the 2025-26 Budget forward estimates period (see

Table 1). This impact reflects an increase in PRRT and royalty revenue, and a decrease in company tax revenue.

The differences between the fiscal and underlying cash balance impacts reflect timing differences between when the PRRT and royalty revenue are recognised and when they are paid.

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.

Departmental expenses for the proposal would not be expected to be material because it would not significantly alter the administration of the tax system. It is assumed that the Australian Taxation Office (ATO) would absorb the departmental costs of implementing these changes, and as such, this proposal would have nil departmental costs.

Table 1: Powering past coal and gas – Make gas exporters pay taxes and royalties – Financial implications ($m)[(a)(b)]

	2025-26	2026-27	2027-28	2028-29	**Total to 2028-29**
Fiscal balance	3,260.0	15,930.0	17,860.0	17,370.0	**54,420.0**
Underlying cash balance	2,580.0	12,520.0	17,260.0	17,470.0	**49,830.0**

(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

Estimating the PRRT impact involves a significant degree of uncertainty as it is dependent on a range of factors which could vary substantially from the estimates provided, both over the timeframe of this costing or in individual years. For example, lower oil or gas prices can rapidly reduce or extinguish PRRT profit and tax payable. The factors which could affect the estimated PRRT liabilities include:

- future oil and gas prices
- exchange rate changes
- long-term bond rate changes
- additional offshore projects commencing production
- take up of the residual pricing method (RPM) in the gas transfer pricing arrangements
- project-specific features such as:
  - deviations of actual capital and operating costs from the Wood Mackenzie projections
  - fluctuations of oil and gas production volumes
  - unique arrangements within or between eligible LNG projects or project joint venture partners that are not disclosed
- behavioural responses to the proposal.

More generally, changes in the post-tax revenue of a project may have an influence on investment decisions for that project into the future.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- Oil and gas production volumes over the period to 2035-36 would not be affected by the proposal.
- No new oil and gas projects would begin production over the period to 2035-36.
- Companies affected by this proposal would be subject to the full company tax rate of 30%, and PRRT payments would be deductible for company tax purposes.
- Companies subject to the increased PRRT or royalty payments are not in a payable position for company income tax purposes.
- The price of oil would grow over the period to 2035-36 in line with changes in the Consumer Price Index (CPI).
- There would be no new transfers of exploration expenditure between PRRT projects.
- Royalties would be paid monthly, consistent with company tax instalments.
- Under the PRRT framework, any royalty amounts not immediately credited due to insufficient PRR liability in a given year are carried forward. These amounts may apply to reduce PRRT liabilities in subsequent years, consistent with existing deductibility provisions.
- The majority of companies that are investors in PRRT projects would continue to be primarily foreign owned over the period to 2035-36.

Methodology

Component 1 - PRRT

The PRRT impact was estimated by calculating the difference between the amount of PRRT revenue raised under the proposal and the baseline on a project-by-project basis.

Baseline

Under the baseline, the offshore liquefied natural gas (LNG) projects used a custom PRRT model that has been benchmarked to the 2023-24 Budget measure *Petroleum Resource Rent Tax – Government Response to the Review of the PRRT Gas Transfer Pricing arrangements,*[1] and *Key assumptions* discussed above.

Taxable PRRT profit of other projects was calculated by deducting estimated eligible project expenses from the assessable receipts derived from the project. PRRT profit was multiplied by 40% to derive the PRRT liability.

Proposal

Under the proposal, taxable PRRT profit was calculated by modifying eligible expenses as specified in the proposal and then subtracting this amount from the assessable receipts derived from the project. PRRT liability before royalties was then calculated by multiplying the taxable PRRT profit by 40%. Royalties paid by projects were then credited against these PRRT liabilities to derive the final PRRT payable amount.

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[1] 2023-24 Budget, *Petroleum Resource Rent Tax – Government Response to the Review of the PRRT Gas Transfer Pricing arrangements*, page 23.

Company tax

The net company tax impact was calculated by multiplying the estimated net increase in PRRT and royalties that would become deductible from company taxable income by the assumed company tax rate.

Component 2 - Royalties

The estimated impact of royalties was calculated based on 10% of production value of identified offshore projects, taking into account the deductibility of royalty payments from the PRRT liabilities.

- Royalty payments are applied in full in the same year as production revenue is recognised.
- The deductibility of royalties results in a partial offset against PRRT liabilities.

Other

As the majority of shareholders in companies that operate PRRT projects are not Australian tax residents, the PBO has not calculated the dividend effect of this proposal or any impact on Australian resident shareholders under the dividend imputation arrangements.

The costing takes into account the timing of tax collections.

Financial implications were rounded consistent with the PBO's rounding rules.[2]

Data sources

Commonwealth of Australia (2023) *2023-24 Budget*, Petroleum Resource Rent Tax – Government Response to the Review of the PRRT Gas Transfer Pricing arrangements, page 23, Commonwealth of Australia.

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

The Treasury provided the costing model (excluding data) for the PRRT measure in the *2023-24 Budget* and economic parameters as at the Pre-election Economic and Fiscal Outlook 2025.

Federal Reserve Economic Data (FRED), fred.stlouisfed.org, accessed 19 May 2025.

Wood Mackenzie provided historical and forecast production and expenditure data for petroleum projects on 7 July 2024.

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

Attachment A – Powering past coal and gas – Make gas exporters pay taxes and royalties – Financial implications

Table A1: Powering past coal and gas – Make gas exporters pay taxes and royalties – 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													
Petroleum resource rent tax	*1,000.0*	*14,600.0*	*17,100.0*	*16,700.0*	*16,000.0*	*14,800.0*	*12,600.0*	*11,600.0*	*11,100.0*	*9,400.0*	*7,200.0*	***49,400.0***	***132,100.0***
Company tax (clawback)	*-270.0*	*-1,280.0*	*-1,760.0*	*-1,780.0*	*-1,720.0*	*-1,620.0*	*-1,430.0*	*-1,300.0*	*-1,230.0*	*-1,100.0*	*-900.0*	***-5,090.0***	***-14,390.0***
Total – administered tax	***730.0***	***13,320.0***	***15,340.0***	***14,920.0***	***14,280.0***	***13,180.0***	***11,170.0***	***10,300.0***	***9,870.0***	***8,300.0***	***6,300.0***	***44,310.0***	***117,710.0***
Administered non-tax													
Royalties	*2,530.0*	*2,610.0*	*2,520.0*	*2,450.0*	*2,380.0*	*2,360.0*	*2,270.0*	*2,180.0*	*2,060.0*	*1,990.0*	*1,920.0*	***10,110.0***	***25,270.0***
Total – administered non-tax	***2,530.0***	***2,610.0***	***2,520.0***	***2,450.0***	***2,380.0***	***2,360.0***	***2,270.0***	***2,180.0***	***2,060.0***	***1,990.0***	***1,920.0***	***10,110.0***	***25,270.0***
Total – revenue	**3,260.0**	**15,930.0**	**17,860.0**	**17,370.0**	**16,660.0**	**15,540.0**	**13,440.0**	**12,480.0**	**11,930.0**	**10,290.0**	**8,220.0**	**54,420.0**	**142,980.0**
Total (excluding PDI)	**3,260.0**	**15,930.0**	**17,860.0**	**17,370.0**	**16,660.0**	**15,540.0**	**13,440.0**	**12,480.0**	**11,930.0**	**10,290.0**	**8,220.0**	**54,420.0**	**142,980.0**

(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.

Table A2: Powering past coal and gas – Make gas exporters pay taxes and royalties – 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													
Petroleum resource rent tax	*500.0*	*11,200.0*	*16,500.0*	*16,800.0*	*16,200.0*	*15,100.0*	*13,200.0*	*11,900.0*	*11,300.0*	*9,900.0*	*7,700.0*	***45,000.0***	***130,300.0***
Company tax (clawback)	*-270.0*	*-1,280.0*	*-1,760.0*	*-1,780.0*	*-1,720.0*	*-1,620.0*	*-1,430.0*	*-1,300.0*	*-1,230.0*	*-1,100.0*	*-900.0*	***-5,090.0***	***-14,390.0***
Total – administered tax	***230.0***	***9,920.0***	***14,740.0***	***15,020.0***	***14,480.0***	***13,480.0***	***11,770.0***	***10,600.0***	***10,070.0***	***8,800.0***	***6,800.0***	***39,910.0***	***115,910.0***
Administered non-tax													
Royalties	*2,350.0*	*2,600.0*	*2,520.0*	*2,450.0*	*2,380.0*	*2,360.0*	*2,280.0*	*2,190.0*	*2,070.0*	*2,000.0*	*1,930.0*	***9,920.0***	***25,130.0***
Total - administered non-tax	***2,350.0***	***2,600.0***	***2,520.0***	***2,450.0***	***2,380.0***	***2,360.0***	***2,280.0***	***2,190.0***	***2,070.0***	***2,000.0***	***1,930.0***	***9,920.0***	***25,130.0***
Total – receipts	**2,580.0**	**12,520.0**	**17,260.0**	**17,470.0**	**16,860.0**	**15,840.0**	**14,050.0**	**12,790.0**	**12,140.0**	**10,800.0**	**8,730.0**	**49,830.0**	**141,040.0**
Total (excluding PDI)	**2,580.0**	**12,520.0**	**17,260.0**	**17,470.0**	**16,860.0**	**15,840.0**	**14,050.0**	**12,790.0**	**12,140.0**	**10,800.0**	**8,730.0**	**49,830.0**	**141,040.0**

(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.

Table A3: Powering past coal and gas – Make gas exporters pay taxes and royalties – 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	*60.0*	*400.0*	*1,070.0*	*1,890.0*	*2,730.0*	*3,590.0*	*4,420.0*	*5,220.0*	*6,020.0*	*6,810.0*	*7,570.0*	***3,420.0***	***39,780.0***
Underlying cash balance	*40.0*	*310.0*	*900.0*	*1,690.0*	*2,520.0*	*3,370.0*	*4,210.0*	*5,020.0*	*5,820.0*	*6,610.0*	*7,380.0*	***2,940.0***	***37,870.0***

(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.[3]

(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.

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