Parliamentary Budget Office

ECR-2025-3456

Climate change and energy – Electrify and repurpose LNG export terminals into hydrogen and ammonia hubs	
Party:	Australian Greens
Summary of proposal: The proposal would electrify Liquid Natural Gas (LNG) terminals, and support LNG sites to enable green energy and value-added exports. This would be achieved by setting safeguard baselines to zero for all LNG terminals to force them to electrify their compressors instead of running them on gas. $4.4 billion in equity funding would be provided for the Net Zero Economy Authority (NZEA) to invest in common use infrastructure at existing heavy industrial areas around the country to transform LNG sites to enable clean energy exports (ammonia and hydrogen), as well as value added exports (green steel, batteries and heat pumps). The proposal would be ongoing and start on 1 July 2026.	
Additional information (based on further advice provided): The $4.4 billion equity funding would be evenly distributed over 3 years from the commencement date.	

Costing overview

The proposal would be expected to increase the fiscal balance by around $94 million, increase the underlying cash balance by around $132 million, and decrease the headline cash balance by around $4.3 billion over the 2025-26 Budget forward estimates period, including public debt interest (PDI) impacts (see Table 1).

The financial implications of this proposal are reliant on the assumption that those in receipt of the government's equity investment are able to pay dividends. As the government takes an ownership interest in the entity, they would then anticipate future returns via these dividends. The Parliamentary Budget Office (PBO) assumes that the dividend yield from the equity investments would match that of the Clean Energy Finance Corporation's annualised benchmark return for its equity investment portfolio.

For equity investments, the fiscal and underlying cash balances differ from the headline cash balance in the treatment of dividend payments and the flow of equity amounts. In particular, only the headline cash balance includes transactions related to equity investments.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications over the period to 2035-36 is provided at Attachment A.

The impact on gross debt would be broadly consistent with movements in the headline cash balance (Table A3 refers). The estimated impact on gross debt each year reflects the headline cash balance impact including PDI. The gross debt would decrease by around $4.28 billion over the forward estimates period and $4.27 billion over the medium term.

Table 1: Climate change and energy – Electrify and repurpose LNG export terminals into hydrogen and ammonia hubs – Financial implications ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	**Total to 2028-29**
Fiscal balance	-	31.0	31.0	32.0	**94.0**
Underlying cash balance	-	39.0	46.0	47.0	**132.0**
Headline cash balance	-	-1,431.0	-1,424.0	-1,423.0	**-4,278.0**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
\- Indicates nil.

Consistent with PBO Guidance 02/2015, public debt interest expense impacts have been included in this costing because it involves alternative finance.

Sensitivities and uncertainty

The financial implications of this proposal are sensitive to assumptions surrounding investment in LNG and its alternatives in Australia, and the ability of those in receipt of equity investment payments to pay dividends. In addition, the rate of capital deployment and the average maturity period of investments are sources of sensitivity in the financial implications.

The PBO has not made any assessment as to whether the specified funding would be sufficient to meet the objectives of the proposal.

Key assumptions and methodology

The financial implications were calculated based on the specified amount of equity funding, distributed evenly over 3 years, multiplied by the assumed return on equity.

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

- The proposal would create a public non-financial corporation (PNFC) with $4.4 billion in direct equity funding.
- The Net Zero Economy Authority would support the establishment of the PNFC. Funding would be sourced from within existing departmental resources.
- The ongoing operational costs of the PNFC would be funded from retained earnings.
- The dividend yield is set at 4.24% per year, to match the Clean Energy Finance Corporation's annualised benchmark return for its equity investment portfolio.
- There would be sufficient investment opportunities to be able to deploy the full amounts committed, and all funds would be fully invested on 1 July of each relevant year.
- All dividends would be paid into the Consolidated Revenue Fund and would not be available for re-investment.
- There would be no departmental expenses associated with setting the safeguard baseline to zero. Implementation and enforcement would be managed within existing departmental resources.

Financial implications were rounded consistent with the PBO's rounding rules.[1]

Data sources

Clean Energy Finance Corporation (CEFC) (2023) *Annual report 2022-23*, CEFC, accessed 27 May 2025.

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

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

Attachment A – Climate change and energy – Electrify and repurpose LNG export terminals into hydrogen and ammonia hubs – Financial implications

Table A1: Climate change and energy – Electrify and repurpose LNG export terminals into hydrogen and ammonia hubs – 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 non-tax													
Dividends	*-*	*62.0*	*124.0*	*187.0*	*187.0*	*187.0*	*187.0*	*187.0*	*187.0*	*187.0*	*187.0*	***373.0***	***1,682.0***
Total – revenue	**-**	**62.0**	**124.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**373.0**	**1,682.0**
Total (excluding PDI)	**-**	**62.0**	**124.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**373.0**	**1,682.0**
PDI impacts	-	***-31.0***	***-93.0***	***-155.0***	***-187.0***	***-187.0***	***-187.0***	***-187.0***	***-187.0***	***-187.0***	***-187.0***	***-279.0***	***-1,588.0***
Total (including PDI)	**-**	**31.0**	**31.0**	**32.0**	-	-	-	-	-	-	-	**94.0**	**94.0**

(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: Climate change and energy – Electrify and repurpose LNG export terminals into hydrogen and ammonia hubs – 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 non-tax													
Dividends	-	*62.0*	*124.0*	*187.0*	*187.0*	*187.0*	*187.0*	*187.0*	*187.0*	*187.0*	*187.0*	***373.0***	***1,682.0***
Total – receipts	**-**	**62.0**	**124.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**373.0**	**1,682.0**
Payments													
Total (excluding PDI)	-	**62.0**	**124.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**373.0**	**1,682.0**
PDI impacts	**-**	***-23.0***	***-78.0***	***-140.0***	***-179.0***	***-187.0***	***-187.0***	***-187.0***	***-187.0***	***-187.0***	***-187.0***	***-241.0***	***-1,542.0***
Total (including PDI)	-	**39.0**	**46.0**	**47.0**	**8.0**	-	-	-	-	-	-	**132.0**	**140.0**

(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: Climate change and energy – Electrify and repurpose LNG export terminals into hydrogen and ammonia hubs – Headline 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 non-tax													
Dividends	-	*62.0*	*124.0*	*187.0*	*187.0*	*187.0*	*187.0*	*187.0*	*187.0*	*187.0*	*187.0*	***373.0***	***1,682.0***
Total – receipts	**-**	**62.0**	**124.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**373.0**	**1,682.0**
Payments													
Administered													
Equity injection	-	*-1,470.0*	*-1,470.0*	*-1,470.0*	-	-	-	-	-	-	-	***-4,410.0***	***-4,410.0***
Total – payments	-	**-1,470.0**	**-1,470.0**	**-1,470.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-4,410.0**	**-4,410.0**
Total (excluding PDI)	-	**-1,408.0**	**-1,346.0**	**-1,283.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**187.0**	**-4,037.0**	**-2,728.0**
PDI impacts	**-**	***-23.0***	***-78.0***	***-140.0***	***-179.0***	***-187.0***	***-187.0***	***-187.0***	***-187.0***	***-187.0***	***-187.0***	***-241.0***	***-1,542.0***
Total (including PDI)	**-**	**-1,431.0**	**-1,424.0**	**-1,423.0**	**8.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-4,278.0**	**-4,270.0**

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

\- Indicates nil.