An Energy Export Transition that Repairs the Budget

Submission to Senate Select Committee on Taxation of Gas Resources

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About CPD

The Centre for Policy Development (CPD) is an independent, not-for-profit policy institute with staff in Sydney, Melbourne, Canberra and Jakarta.

Our vision is a fair, sustainable society and wellbeing economy that serves current and future generations in Australia and Southeast Asia.

Our mission is to help create transformative systems change through practical solutions to complex policy challenges. We tackle the hard questions, working towards change that is systemic and long-term.

Through our work, we aim to contribute to governments that are coordinated, collaborative, and effective, with an eye to both the near and longer term. We strive to build a social services system that helps people and communities to thrive now and in the future, and drive shifts in policy making practice with a focus on wellbeing and sustainability rather than primarily economic growth.

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Summary

The tax treatment of Australian fossil fuel exports is being reviewed. A 'gas export levy' has been advocated by diverse and credible participants in the debate. It should be simple, implemented without delay, and permanent.

In addition to a gas export levy, policy should be developed to:

- ⇒ Ensure Australia's fossil fuel exports serve our economic interests by:
  - capturing more value from our sovereign resources,
  - shielding domestic energy users from the largest extremes of global energy price shocks, and
  - supporting the development of energy-intensive industry in Australia (and their transition to low-carbon energy sources).
- ⇒ Play an active role in, and generate value from, the energy transition that is occurring in the economies of our trading partners.
- ⇒ Bring more of the carbon emissions from Australia's resources under regulation that supports meeting global climate change targets.
- ⇒ Generate revenue to fund responses to climate change impacts.

A gas export levy provides the catalyst to develop a comprehensive energy export transition policy that serves Australia's economic and trade interests.

A gas export levy in 2026?

Australia recovers comparatively low rates of return from fossil fuel exports,[1] with recent energy price spikes leading to renewed calls for 'windfall' taxes. The following specifics are important for any near-term announcement of a tax on gas exports:

1. A gas export levy should be simple; linked closely to the *value* of gas exports (e.g., % of export value, or per GJ); and not vulnerable to minimisation through accounting treatment.

   Previous attempts (e.g., PRRT changes) have not raised as much revenue as expected because the complexity allowed minimisation - including through carry forward of capital expenditure and transfer pricing.[2] A tax based on *profits* or *windfalls* (rather than export value) would be vulnerable to these same problems, so its design would require a special degree of care which has been absent from previous reforms.

2. The government should implement policy without delay, and it should be permanent (i.e., not include any measure that requires the policy to be re-prosecuted, such as a review, or a sunset clause, or criteria for when it applies).

   A gas export levy is good long-term policy. The current circumstances have publicly exposed the justification for this policy, making it politically achievable. These circumstances may not be as apparent at a future time.

Towards a long-term energy export transition

Building from a gas export levy, Australia should have a policy framework to encourage the gradual phase down of fossil fuel exports over the long term, supporting employment and investment in achieving a global transition away from fossil fuel use. This will likely require something like managed quantitative constraints, tradable export rights, or a price-based signal.

The goals of a long-term energy export transition framework should include to:

- ⇒ Send economic and financial signals for an orderly phase down of fossil fuel export industries in line with global commitments. A reduction in fossil fuel exports is inevitable, and it will be best managed through a gradual and predictable process (that can also generate revenue to develop alternatives and mitigate impacts).
- ⇒ Increase the proportion of emissions from Australia's fossil fuel production that are regulated by:
  - Favouring export to final markets that regulate emissions over those that don't.
  - Incentivising, and placing downward price pressure, on supply to Australia energy users (including electricity generation) – which are covered by regulation.
- ⇒ Support regional economies and the development of clean energy-intensive industries in Australia and developing the basis for long-term trade with key partners.
- ⇒ Fund community resilience, adaptation (e.g., the National Adaptation Plan) and contribute to the costs imposed by climate change and extreme events.

Why do we need an energy export transition framework?

A gas exports levy alone is not sufficient to support Australia's long-term economic interests, and the government should consider a broader energy export transition framework for the following reasons:

1. **Exporting fossil fuels undermines the competitiveness of energy-intensive industries in Australia.**

   Energy-intensive industries should be a strength of the Australian economy given our significant energy endowments – particularly in the renewable energy resources that will underpin the future global economy. Despite this, current arrangements for fossil fuel exports expose our domestic energy-intensive industries to extreme volatility from global energy prices and, on occasions, shortage of supply.[3]

   What's more, the carbon emissions from Australian industry are regulated (principally through the Safeguard Mechanism) and facilities also incur the cost of transitioning to clean energy sources. Many overseas users of Australia's fossil fuel exports do not face comparable costs or policy incentives, creating an uneven playing field and effectively subsidising competitors of Australia's domestic industry.

   These factors create a perverse incentive to offshore industry (and emissions) into less regulated jurisdictions, even while utilising Australia's energy resources.

2. **The fossil fuel export industry does not have a long-term future.**

   The world is transitioning to cleaner energy sources, including all the key countries that receive Australia's fossil fuel exports (e.g., Japan, China, South Korea).[4] The rate and details of the transition will be governed by the economic context and interests of each country and region.

   Australia should not just passively supply the (declining) fossil fuel demand. We should have policies to ensure that, during this transition, we:

   - Remain a reliable trade partner.
   - Receive a fair return from the current trade in energy resources they require.
   - Strengthen trade relationships as their

economics evolve. For example, in new industries based on Australia's clean energy advantages and other resource endowments.

An energy export transition framework would account for the regulatory framework of Australia's trade partners and destination markets. Exports to countries that have a robust carbon transition regime may not face any additional burden under an Australian export transition framework. This would encourage trade partnerships that support strong and stable long-term value chains.

3. **Continuing exports at current levels will prevent the achievement of global climate change targets.**

Global analysis shows that fossil fuel consumption must decline significantly in order to avoid the social and economic costs of climate change, and meet agreed climate change targets.[5] Australia's exports are our largest contribution to global greenhouse gas emissions – approximately 1.15 billion tonnes of greenhouse gas emissions result from the use of our fossil fuel exports[6] each year; nearly three times as much as our (domestic) emissions of 444 million tonnes.[7]

Emissions from export of fossil fuels are currently not subject to carbon regulation in Australia, nor regulated adequately in most receiving countries.[8] For as long as there is no adequate framework applied to the emissions in those countries, then we have an economic (and climate) imperative to do it at the point of export from Australia.

An export transition framework is the best way for Australia to support an orderly global energy transition, in support of Australia's long term economic interests. This framework should ensure an equivalent regulatory framework applies to the supply and use of Australian fossil fuels, no matter their ultimate destination, whether applied as a net emissions constraint or as some form of price-based incentive. Without such a framework, any domestic emissions reduction policy will be undermined by offshore emissions from Australian-sourced fossil fuels.

4. **Those industries that cause climate change should contribute to covering the cost of climate impacts.**

The costs of responding to climate change are rising,[9] and placing pressure on already tight government budgets. An energy export transition package could ensure we receive a fair return from fossil fuel exports that are causing climate change and contributing to these economic and fiscal costs

The revenue generated could be partially used in responding to the impacts of climate change. The need for expenditure on community transition support and adaptation measures is particularly acute over the next two decades. Over the longer term, climate-focused expenditures are likely to be mainstreamed into broader government expenditures (such as health, infrastructure and so on), while fossil fuel demand and exports materially decline, implying government expenditure on climate transition will likely move towards a new form of 'business as usual' arrangements.

Next Steps

In the coming months over 2026, the Centre for Policy Development (CPD) will develop a long-term climate- and revenue-positive energy export transition framework that responds to the economic and climate imperatives described above.

Endnotes

[1] The Superpower Institute, 2026, The Case for Pricing Pollution: https://www.superpowerinstitute.com.au/resource/file-f9418867fbb92cd41e0d6ae9806ad5cd23d716a7-pdf/TSI_The-Case-for-Pricing-Pollution_Full-Report_Jan29.pdf

[2] Treasury 2023. Petroleum Resource Rent Tax: Review of Gas Transfer Pricing Arrangements - Final Report to the Treasurer. https://treasury.gov.au/sites/default/files/2023-05/p2023-388153.pdf.

[3] Some exposure of domestic industry to the overall trend (and risk) of global energy prices is desirable: it provides economic signals for transition. But the extreme volatility of global energy shocks can create an unnecessary existential risk for domestic industry.

[4] For China, Japan and Korea, see: https://www.carbonbrief.org/qa-what-does-chinas-15th-five-year-plan-mean-for-climate-change/

https://www.japan.go.jp/kizuna/2022/06/clean_energy_strategy.html

https://www.businesskorea.co.kr/news/articleView.html?idxno=235911

[5] IEA's Net Zero By 2050 scenario requires average declines over 2020 to 2050 of 7% per annum for coal and 3% per annum for gas. /https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

[6] Climate Analytics (2023). Australia's global carbon footprint. https://climateanalytics.org/publications/australias-global-fossil-fuel-carbon-footprint

[7] DCCEEW 2025, Quarterly Update of Australia's National Greenhouse Gas Inventory: September 2025: https://www.dcceew.gov.au/about/news/national-greenhouse-gas-inventory-september-2025

[8] See comparisons between Australia and China, Japan and Korea in OECD's Pricing Greenhouse Gas Emissions report (Fig 3.8, p70), and in country supplements: https://www.oecd.org/en/publications/pricing-greenhouse-gas-emissions-2024_b44c74e6-en.html

[9] An example, for homeowner costs alone: Climate Change Authority, 2025, Home safe National leadership in adapting to a changing climate: https://www.climatechangeauthority.gov.au/sites/default/files/documents/2025-07/Home%20Safe%20-%20Final.pdf

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