

Fossil fuel subsidies in Australia 2023

Federal and state government assistance to fossil fuel producers and major users in 2022-23

In 2022–23, Australian Federal and state governments provided a total of \$11.1 billion worth of spending and tax breaks to assist fossil fuel industries. This year's figure represents a 5% decline on last year's, but subsidies in the forward estimates have increased from \$55.3 billion to a record \$57.1 billion. This is 14 times greater than the balance of Australia's Disaster Ready Fund, which is used to respond to climate disasters.

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Summary

In its final year in power, the Morrison government proposed and implemented an astonishing increase in fossil fuel subsidies. The overt nature of subsidies provided to fossil fuel companies as part of the so-called “gas-fired recovery” may have played some role in that government’s downfall at the 2022 “climate election”.

This report comes one year and one Federal Budget after that election. In that time, some progress has been made: the most egregious policies of the Morrison government have been sidelined and headline figures suggest improvement. Total assistance to fossil fuel producers and major users from all governments declined from \$11.6 billion in 2021–22 to \$11.1 billion in 2022–23.

The good news (mostly) ends there.

The total assistance still represents \$21,143 for every minute of every day. Crucially, the decrease in assistance between 2021–22 and 2022–23 was not caused by a decline in fossil fuel use or a policy to reduce fossil fuel subsidies, but by an overall reduction in fuel excise in response to the Ukraine war and high energy prices. By reducing the excise, the corresponding tax break for the coal industry and other major diesel users—via the Federal Government’s Fuel Tax Credit Scheme—was also reduced from \$8.1 billion to \$7.8 billion.

Nevertheless, the cost of the Fuel Tax Credit remains one of the top twenty expense items in the Federal Budget, greater than government spending on the Australian Army—and as fuel excise returns to normal levels, that cost will resume its steady march upward. With Australia’s liquid fuel use expected to increase, governments are expecting a 33% increase in the cost of the Fuel Tax Credit by 2025–26. This increase is the key factor behind the growth in total budgeted fossil fuel subsidies over the forward estimates, from \$55.3 billion in 2021–22 to \$57.1 billion in 2022–23. This total is 14 times the balance of Australia’s Disaster Ready Fund as of December 2022.

Other Federal Government tax concessions are budgeted to cost \$1.5 billion in 2022–23. This includes \$1.2 billion in aviation fuel concessions and an estimated \$165 million in reduced Petroleum Resource Rent Tax receipts from major oil and gas producers. The Federal Government’s main spending measures are \$1.9 billion to assist the Middle Arm petrochemical hub in Darwin, \$141.1 million over 10 years to assist carbon capture and storage (CCS) projects, and \$217 million to build roads explicitly for the onshore gas industry in the NT. The government-owned Australian Rail Track Corporation spent \$129 million on upgrading Hunter Valley coal railways to “secure their long-term reliability and productivity”.

At state level, Queensland provided the highest level of subsidies: \$448 million in assistance to fossil fuel industries in 2022–23, with longer-term commitments worth \$1.76 billion. This is a reduction on last year's figures, driven by lower spending on publicly-owned coal mines, gas fields and fossil fuel power stations (such as CleanCo's Swanbank E Power Station, Kogan North Gas Field and Stanwell's Meandu mine and Tarong Power station).

Western Australia provided \$320 million in assistance to fossil fuel industries in 2022–23, with longer-term commitments worth \$1.4 billion. This is an increase on last year's figures, driven by funds announced as a response to the *WA Gas and Downstream Opportunities Study*. In a methodological change from last year, we have included funding for WA's international trade promotion program, which saw Premier McGowan "reassured the bosses of Japan's powerful trading houses" of WA's gas production plans while on a trip to Asia.

Still in WA, the state-owned Collie and Muja coal power stations received a total of \$21 million for upkeep in 2021–22 and a total of \$250 million in capital spending. The gas-fired power stations Cockburn, Pinjar and Kwinana are in line to receive a total of \$143 million in capital spending, with \$26 million in 2022–23. Ports that ship liquified natural gas and other petroleum products, or assist the offshore gas sector, received \$141 million in 2022–23 as part of \$357 million in budgeted spending that at least partly benefits the oil and gas sector. The largest port budget item related to the \$195 million Dampier Cargo Wharf Extension project, which will accommodate vessels supporting the offshore oil and gas industry.

The Northern Territory provided \$327 million in assistance to fossil fuel industries in 2022–23, with longer-term commitments worth \$3.59 billion. The Territory partners with the Federal Government to subsidise roads and other infrastructure for the gas industry, as well as funding exploration initiatives and gas industry promotion. The largest assistance measure comes via the Territory's Power and Water Corporation and its decades-long, loss-making agreement to buy and transport gas from Eni, a multinational oil company. The Northern Territory government has committed to buy \$2.8 billion worth of gas, with \$680 million in pipeline commitments.

Victoria provided \$70 million in assistance to fossil fuel industries in 2022–23, with longer-term commitments worth \$282 million. This relates to two items. First, the government department that provides data to the petroleum industry and oversees the CarbonNet carbon capture and storage project. Second, a land tax concession is applied to mines, particularly coal mines in the Latrobe Valley. A brown coal-to-hydrogen project appears to no longer be funded by the Victorian government.

South Australia provided \$44 million in assistance to fossil fuel industries in 2022–23, with longer-term commitments worth \$160 million. The main items relate to Port Bonython, a facility used by Santos with various hydrogen production and export proposals in the surrounding area.

New South Wales provided \$45 million in assistance to fossil fuel industries in 2022–23, with longer-term commitments worth \$178 million. Key items are the NSW Coal Innovation Fund and programs run by the Department of Regional NSW.

No fossil fuel subsidies were identified in the Tasmanian or ACT government budgets.

Introduction

During its final year in power, the Morrison government proposed and implemented an astonishing increase in fossil fuel subsidies. Assistance provided to fossil fuel producers and major users increased from \$266 million in 2020-21 to \$1.16 billion in 2021-22.

These subsidies were overt, often under the banner of the “gas-fired recovery”, with names like “gas roads” and the Kurri Kurri gas-fired power station. There were echoes of the earlier attempt to subsidise the Adani coal mine with a \$175 million loan to Queensland’s Olive Downs Mine.

Senior members of the government—such as former Deputy Prime Minister Barnaby Joyce, Energy Minister Angus Taylor and Resources Minister Keith Pitt—were vocal in their support for these measures. So too was Prime Minister Morrison, a man who had previously achieved notoriety for waving around a lump of coal in Federal Parliament.

These actions and policies did not seem to help the Morrison government at the May 2022 election: the Coalition lost government to Labor, and many long-held Liberal seats to climate-focused independent candidates. The Greens largely won balance of power in the Senate.

This report comes one year and one Federal Budget after the “climate election”. Progress has been made on remedying the Morrison government’s most egregious policies, but over the longer term Australia’s fossil fuel subsidies are still budgeted to increase, particularly at a federal level.

Subsidies for fossil fuels obscure the true cost of these polluting industries and enable them to continue exploring for, extracting, and burning coal, oil and gas. As the world works towards reducing global greenhouse emissions to mitigate climate change, international pressure is mounting for countries to stop subsidising fossil fuels so that competitively priced, clean sources of energy can be scaled up and fossil fuel use can be phased out.

Studies of fossil fuel subsidies in Australia are not new. The first estimate was made in 1994 in a report by the National Institute of Economic and Industry Research (NIEIR). That report estimated the value of subsidies to the Australian energy sector to be \$1.995 billion.¹ The University of Technology Sydney’s Institute for Sustainable Futures made several estimates around the turn of the century, with a range of between \$9.3 billion and \$10.1 billion estimated in a 2007 Greenpeace-commissioned study.² More recent estimates include:

¹ NIEIR (1996) *Subsidies to the use of natural resources*, <https://catalogue.nla.gov.au/Record/319092/Details>

² Riedy (2007) *Energy and transport subsidies in Australia: 2007 update*, <https://apo.org.au/node/4203>

- International Monetary Fund (IMF): US \$44 billion in 2020, including unpaid costs of air pollution and climate change.³
- Organisation for Economic Co-operation and Development (OECD): \$12.4 billion in 2021.⁴
- Productivity Commission: \$1 billion in 2018–19 to sectors that include fossil fuel activities.⁵
- The Australia Institute: \$11.6 billion in 2021–22, in last year’s edition of this report.⁶

This wide range of the value of these estimates demonstrates a key issue in any discussion about subsidies: different definitions of “subsidy” make a large difference to the final estimate. The largest estimates, such as those from the IMF, incorporate the uncompensated costs of climate, health and other environmental damage into the definition of fossil fuel subsidies. The lower estimates, like those from the Productivity Commission, take into account a much narrower range of assistance measures to fossil fuel producers, typically direct payments and the estimated value of trade barriers.

In this paper, our estimates have been guided by the information that is available in official, public documents. Data on a range of government spending and other support measures provided to fossil fuel industries is available in federal and state government budget papers, financial updates and annual reports of government-owned entities.

The assistance measures detailed in budget papers and annual reports include far more support measures than are considered by the narrowest definitions of subsidies. However, they do not include the cost of environmental pollution or damage caused by fossil fuel extraction and use. This omission is not because these costs are unimportant, but because there are few official estimates, and because such estimates are difficult to calculate, and are often contested. Furthermore, these wider costs are borne by the community and the natural environment, not by governments directly. By concentrating on official estimates in budget papers and similar documents, we derive an estimate of how government decisions

³ Parry et al (2019) *Still Not Getting Energy Prices Right: A Global and Country Update of Fossil Fuel Subsidies*, <https://www.imf.org/en/Publications/WP/Issues/2021/09/23/Still-Not-Getting-Energy-Prices-Right-A-Global-and-Country-Update-of-Fossil-Fuel-Subsidies-466004#:~:text=IMF%20Working%20Papers&text=Globally%2C%20fossil%20fuel%20subsidies%20were,percent%20of%20GDP%20in%202025>.

⁴ OECD (2022) *OECD Inventory of support for fossil fuels - Australia*, https://stats.oecd.org/Index.aspx?DataSetCode=FFS_FRA; OECD (2019) *Fossil Fuel Support Country note: Australia*, <http://www.oecd.org/fossil-fuels/data/>; and OECD (2018) *OECD Companion to the Inventory of Support measures for fossil fuels 2018*, https://read.oecd-ilibrary.org/energy/oecd-companion-to-the-inventory-of-support-measures-for-fossil-fuels-2018_9789264286061-en#page4

⁵ Productivity Commission (2020) *Trade and assistance review 2018-19*, <https://www.pc.gov.au/research/ongoing/trade-assistance/2018-19>

⁶ Campbell et al (2021) *Fossil fuel subsidies in Australia: Federal and state government assistance to fossil fuel producers and major users 2020-21*, <https://australiainstitute.org.au/report/fossil-fuel-subsidies-in-australia/>

and policies result in benefits to fossil fuel producers and major consumers—and, conversely, how much revenue could be raised or saved by reversing these decisions.

In some cases, identifying which budget items meet the criteria of a fossil fuel subsidy is straightforward—in particular, where their title suggests the that intended beneficiaries are fossil fuel industries (for example, Coal Innovation NSW). Other relevant items require further investigation, as their titles do not explicitly identify fossil fuel-related activities. This is particularly the case for infrastructure projects on which fossil fuel industries rely, such as rail and port projects.

As a result, it was necessary to investigate various budget item payments to determine whether, and to what extent, particular funding would directly or indirectly benefit fossil fuel industries. For example, budget funding for the Darwin Ship Lift is not, at face value, a fossil fuel subsidy. However, the budget paper later clarifies that this money will assist oil and gas vessels.

The provision of infrastructure represents a major subsidy to fossil fuel industries in Australia. Governments spend significant amounts of money on ports, railways, pipelines, power stations and other infrastructure that assists in the production, transport and consumption of fossil fuels. While companies often pay to use this infrastructure, and the management bodies may return surplus money to the government that owns the asset, the acceptance of risk and up-front costs by government-owned entities provides benefits to the industry and imposes costs on the community. State treasuries are explicit on this point:

Some costs may be recovered by the government over time if they are directly industry related. However, there is a real opportunity cost for governments in undertaking the initial capital expenditure. Governments face budget constraints, and spending on mining related infrastructure means less infrastructure spending in other areas, including social infrastructure such as hospitals and schools. The opportunity cost of this use of limited funds is a real cost to government and the community. – Queensland Treasury.⁷

Western Australian Treasury calculated that in 2010 net present value terms, the estimated cost of its commitments to assist the North West Shelf project (e.g. payment of subsidies to the State's power utility to help cover the losses it initially

⁷ Queensland Treasury (2014) *Queensland Treasury Response to Commonwealth Grants Commission 2015 Methodology Review*, https://www.cgc.gov.au/sites/default/files/documents/2015%20Review%20Report/General%20Consultation/Commission%20position%20and%20staff%20discussion%20papers/State%20responses/R2015%20-%20CGC%202013-05%20-%20CGC%202013-06-S%20-%20CGC%202013-07-S%20-%20CGC%202013-08-S%20-%20QLD%20Response.pdf?acsf_files_redirect

incurred under crucial ‘take or pay’ gas contracts) is estimated to be around \$8 billion.⁸

Our approach reflects Queensland Treasury’s logic—if governments choose to allocate scarce resources to fossil fuel industries in a way that restricts the use of those resources for other government priorities, this represents a subsidy to fossil fuels. The fact that user fees may later be collected does not change the fact that a government decision directed resources in a particular way.

⁸ WA Treasury (2017) *Western Australia’s Submission to the Productivity Commission’s Inquiry into Horizontal Fiscal Equalisation*, <https://www.wa.gov.au/sites/default/files/2020-02/western-australias-submission-to-the-productivity-commissions-inquiry-into-horizontal-fiscal-equalisation.pdf>

Methodology

Estimates of subsidies and other assistance to fossil fuels are for the 2022–23 budget year, with a small number of exceptions where the 2021–22 estimate is the latest available and a similar result is likely in the following year. Funding for fossil fuel projects or programs that have been announced since the publication of 2022–23 Federal, State and Territory Budget Papers have not been included in this analysis.

We have compiled estimates of assistance in 2022–23 and separate estimates of the total value of programs/projects that run over a number of years. This includes multi-year funding packages for non-ongoing projects and capital value of long-term physical assets.

In a change of methodology from the original 2020–21 edition of this report, the value of industry assistance from ongoing programs—such as long-running tax breaks and established government departments—is taken as the sum of values estimated over the forward estimates. Omitting the longer-term value of such subsidies would result in the counterintuitive situation where the current 2022–23 budget item could be greater than its total/capital value. The new approach is still conservative, as such programs may run for much longer than the next four years, and therefore cost much more. This is most relevant to the Fuel Tax Credit Scheme, which dominates overall results, as the 2021–22 Federal budget indicates that spending on the Scheme will continue to increase in the future. Ongoing programs/items are valued over four years—the current budget year and three years of forward estimates, also known as outyears.

Relevant tax breaks, known as concessions, on existing taxes reduce revenue and carry opportunity costs for governments. Such concessions are included in our estimates where they advantage major fossil fuel producers and users through a reduced tax rate, and their value is calculated in budget documents. This approach means the Federal Fuel Tax Credit is included (it applies only to certain fossil fuel users and is calculated in budget documents), but the benefit to similar parties provided by the abolition of carbon pricing is not (no group pays an explicit carbon price and the lost revenue is not calculated in budget documents).

All items of expenditure have been classified according to which fossil fuel industry segment was the beneficiary: coal, gas/oil or various. Items categorised as “various” provided support to several segments or referred to a larger industry investment. For example, many of Queensland’s ports import and export a combination of coal, oil, gas and other products, and have thus been categorised as “various”.

Subsidies were assessed as being wholly, primarily, or only partly dedicated to these industries:

- Subsidies classified as wholly dedicated to fossil fuels were judged to be undertaken for the singular purpose of supporting the consumption, extraction, processing, or

transport of fossil fuel commodities. An example is the Queensland government's \$21 million in funding for the Meandu coal mine, which supplies a state-owned power station.

- Items considered primarily dedicated to fossil fuels were those where the fossil fuel industry received tangible economic benefits from the spending, but were not the exclusive beneficiaries. An example is the Queensland government's spending on Gladstone Port, a large liquefied natural gas (LNG) and coal port that also handles some other commodities.
- Cases considered partly dedicated to fossil fuels were those in which the fossil fuel industry received a tangible economic benefit from the spending, but that benefit was not the primary aim of the project, or it was not clear which stakeholders received the primary benefit. Infrastructure projects often fall into this category as fossil fuel producers may be major—but not primary—users of these resources, as a range of resource and other industries may also use the same infrastructure. The new Darwin Ship Lift, funded by the NT government and the Federal Northern Australia Infrastructure Facility, will partly benefit ships that service the offshore oil and gas industry, but is also aimed at defence and other marine services.
- Cases where spending benefits the fossil fuel industry either incidentally, or at levels too low to be differentiated in official documents, were not included. For example, Victoria's mining exploration program could benefit coal or gas companies, but appears to be aimed mainly at other minerals.

Some spending by government departments has been included where:

- The role of the department includes the provision of services (particularly geoscience information), or activities that incentivise and promote fossil fuel investment and production. Often these bodies also play a more basic regulatory role, or promote not just fossil fuels but also the wider mining industry. In such cases, the spending is considered as only partly dedicated to fossil fuel assistance.
- Significant under-recovery of regulatory expenses has been identified. These include cases in which agencies incur significant administrative costs, but charge few fees to the fossil fuel industries they are administering. One clear example is the NT's onshore gas regulator: an independent inquiry in 2018 highlighted the regulatory body's costs and minimal revenue, but the situation has not been addressed some years later despite increased budget allocation. Queensland Treasury, meanwhile, highlights that "mining regulation expenses are now material"⁹ and some regulators that make minimal effort to recover such expenses.

⁹ Queensland Treasury (2020) *Queensland response to the Draft Report on the 2020 Methodology Review*, https://www.cgc.gov.au/sites/default/files/qld_submission_-_2020_review_draft_report.pdf

Carbon capture and storage (CCS, sometimes including “use/utilisation and storage” and abbreviated as CCUS) is generally considered to be dedicated wholly to fossil fuel industries. While some climate research suggests CCS will be necessary to reduce emissions from sectors that are difficult to decarbonise, the intended purpose of most CCS projects funded by state and federal governments is to enable the continued operation of fossil fuel industries.

Hydrogen can be derived through a number of different methods, including renewable energy, processing from fossil gas and gasification of coal. Unless hydrogen project funding specifies that it only applies to renewable-derived hydrogen, it is included as at least partly a subsidy to fossil fuels.

Results overview

This section provides an overview of the total results of this report, and a discussion of the basic differences between jurisdictions. More detail on the assistance provided by each individual government to the fossil fuel sector can be found in the following sections.

2022-23 FOSSIL FUEL SUBSIDIES

Every year Australian governments provide subsidies worth billions of dollars to fossil fuel producers and major users. As Table 1 shows, subsidies cost state, territory and federal governments in Australia a total of \$11.1 billion in 2022–23:

Table 1: 2022-23 fossil fuel subsidies by Federal, state and territory governments

	Spending measures (\$)	Tax concessions (\$)	Total assistance (\$)
Federal	\$521,756,000	\$9,252,000,000	\$9,773,756,000
QLD	\$447,772,000	\$84,480,000	\$532,252,000
NT	\$327,651,000	N/A	\$327,651,000
WA	\$320,083,000	N/A	\$320,083,000
VIC	\$70,400,000	N/A	\$70,400,000
NSW	\$45,198,000	N/A	\$45,198,000
SA	\$43,571,000	N/A	\$43,571,000
Total	\$1,776,431,000	\$9,336,480,000	\$11,112,911,000

Sources: Budget papers and annual reports of government entities



Another way of looking at the results in Table 1 is that every minute of every day in 2022-23, fossil fuel subsidies cost the public \$21,143.

Table 1 above shows that Federal Government tax concessions are the largest part of overall fossil fuel subsidies—in particular the Fuel Tax Credit Scheme, which refunds fuel tax to specific users. This subsidy represents one of the largest expenses in the Federal Government’s budget, as shown in Figure 1 below:

Figure 1: Excerpt from 2022-23 budget papers

Table 6.3.1: Top 20 programs by expenses in 2022–23

Table 10: Top 20 Programs by Expenses in 2022-23						
Program(a)	Function	Actual	Estimates			
		2021-22 \$m	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m
larger programs omitted to fit						
Child Care Subsidy	SSW	9,807	10,633	12,768	13,489	14,133
Financial Support for Carers	SSW	9,837	10,568	11,497	12,163	12,787
Government Schools National Support	Education	9,671	10,420	11,025	11,511	12,007
Defence Force Superannuation – Benefits(c)	Other purposes; General public services	10,503	9,571	9,254	9,637	10,075
Public Sector Superannuation – Benefits(c)	Other purposes; General public services	8,541	9,435	9,471	9,499	9,833
National Partnership Payments – Road Transport	Transport and communication	5,496	8,330	10,085	10,327	9,560
Fuel Tax Credits Scheme	Fuel and energy	7,058	7,762	9,852	10,532	11,288
Army Capabilities	Defence	7,368	7,611	8,393	8,499	8,619

Source: Australian Government (2022) Budget Paper 1

Figure 1 shows that the Fuel Tax Credit Scheme cost almost \$8 billion in 2022–23, more than spending on either the Army or the Air Force. The Fuel Tax Credit Scheme is the 19th largest expense in the Federal budget and is likely to rise through the forward estimates.

CAPITAL VALUES AND FORWARD ESTIMATES

The results above refer only to fossil fuel subsidies incurred or provided by governments in 2022-23. However, most of the projects and programs to which these subsidies apply operate over the course of many years. Table 2 below combines the total value of specific projects and the forward estimates values of ongoing programs. See the methodology section for more explanation.

Table 2: Capital values and forward estimates

	2022-23 (\$)	2021-22 (\$)
Federal	\$49,685,341,000	\$48,008,200,000
NT	\$3,593,147,000	\$3,656,542,000
QLD	\$1,757,165,000	\$1,959,942,000
WA	\$1,425,265,000	\$838,928,000
VIC	\$281,600,000	\$364,800,000
SA	\$159,764,000	\$129,999,000
NSW	\$178,370,000	\$328,900,000
Total	\$57,080,652,000	\$55,287,311,000

Source: Budget papers, annual reports and tax expenditure documents



Table 2 shows that Australian governments have budgeted \$57.1 billion over the lifetime of fossil fuel projects and programs listed in 2022-23 budget papers. This represents a \$1.8 billion increase from the 2021-22 figure of \$55.3 billion, driven largely by the increased forward estimates of the Fuel Tax Credit as well as new programs and new inclusions in WA.

By contrast with fossil fuel subsidies, the balance of Australia's Disaster Ready Fund was \$3.98 billion in December 2022.¹⁰ In other words, total planned fossil fuel subsidies are 14.3 times larger than the nation's disaster response fund.

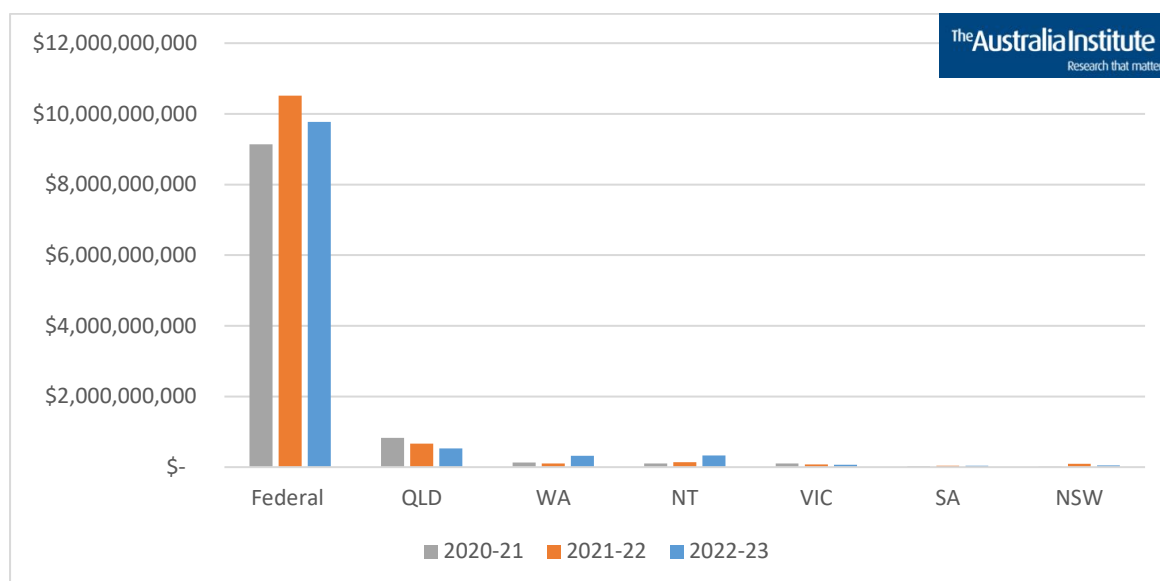
Table 2 shows that most of this total budgeted assistance comes from the Federal Government, due to the increasing cost of the Fuel Tax Credit. The Northern Territory has the second highest figure, due to multi-billion gas commitments made by its government-owned Power and Water Corporation. Queensland's total value is driven by various subsidies classified in the budget papers as "ongoing".

COMPARISON TO PREVIOUS YEARS

The 2022–23 total of \$11.1 billion represents a 4% decrease from 2021–22's total of \$11.6 billion. However, total subsidies in 2022–23 are still higher than in 2020–21. The subsidies provided in 2020–21, 2021–22 and 2022–23 are broken down by jurisdiction in Figure 2 below:

¹⁰ Australian Government (2023) *Disaster Ready Fund*, <https://www.finance.gov.au/emergency-response-fund>

Figure 2: Fossil fuel subsidies 2020–21 to 2022–23 by jurisdiction

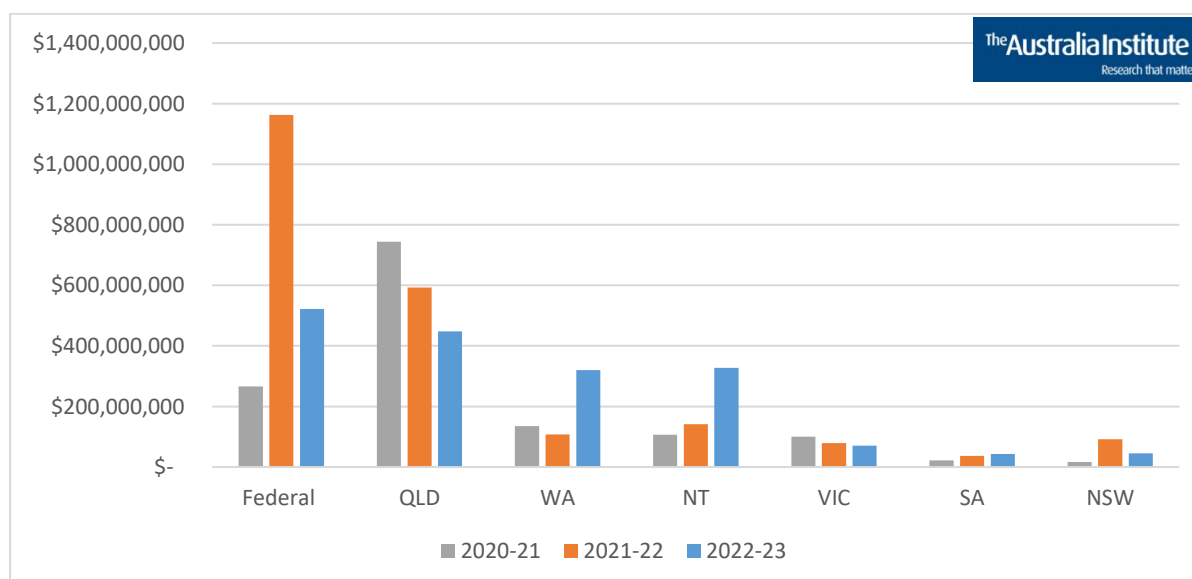


Sources: Budget papers and annual reports of government entities

Figure 2 shows the dominance of the Federal Government in fossil fuel assistance. As discussed above, this dominance is driven by the Fuel Tax Credit Scheme. Federal Government support for fossil fuel industries totalled \$9.77 billion in 2022–23, a decrease of \$741 million from to the previous year’s figure of \$10.5 billion.

As overall figures are heavily influenced by the Fuel Tax Credit, Figure 3 below removes all tax concessions from total figures, leaving only spending measures to compare between years and jurisdictions.

Figure 3: Total assistance by jurisdiction, 2020–21 to 2022–23 (excluding tax concessions)



Sources: Budget papers and annual reports of government entities

Figure 3 shows that beyond tax concessions, Federal Government subsidies to fossil fuel industries declined from \$1.16 billion in 2021-22 to \$522 million in 2022-23. Much of this change reflects the Morrison government's "gas-fired recovery" programs and financing of major items such as the Kurri Kurri gas-fired power station and Olive Downs coal mine being removed from the Federal Government's budget. However, these remain on the balance sheet of its related entities, in these instances Snowy Hydro and NALF.

Importantly, the cost of 2022-23 measures remains roughly twice the \$266 million estimated in 2020-21. This reflects the fact that many of the major Morrison government subsidies to the gas industry remain in force. These include \$105 million for road construction for fracking in the Northern Territory, \$271 million for petrochemical infrastructure in Darwin, and a CCS research program that will eventually cost \$141 million.

Figure 2 shows that, after the Federal Government, Queensland provided the most assistance to fossil fuel industries at \$532 million. This includes \$448 million in direct subsidies, largely to government-owned coal and gas power stations, coal mines and ports that export and import fossil fuels. Queensland also provides concessions worth \$84 million. Queensland's total subsidies are less than the previous budget year, having declined from \$664 million last year and \$831 million in 2020-21.

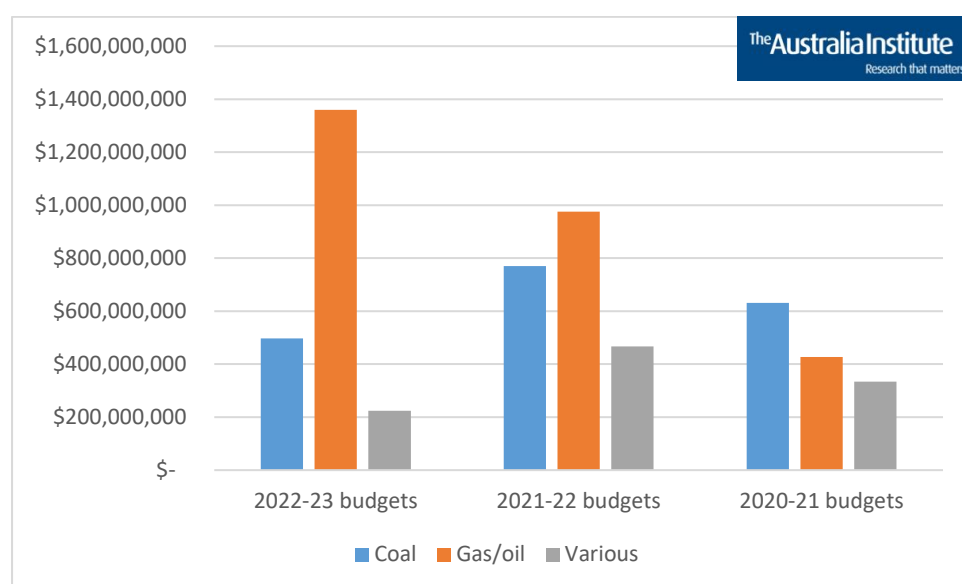
Subsidies in Western Australia increased substantially from 2021-22, largely due to new funds being announced and the assistance functions of the WA trade offices being included in this analysis. The similarly dramatic increase in the Northern Territory largely reflects spending on roads that appears in the NT budget, although the total/capital value is included in the Federal total.

As was the case in previous years, neither Tasmania nor the ACT had identifiable fossil fuel subsidies. While Tasmania has a mining exploration subsidy that has made grants to coal projects in the past, no fossil fuel subsidy was clear in the 2022-23 budget.

2022-23 SPENDING BY INDUSTRY

Fossil fuel subsidies were categorised according to industry segment: coal, gas/oil or various. As shown in Figure 4 gas and oil companies were the main beneficiaries of fossil fuel subsidies, when tax concessions are excluded.

Figure 4: Budget 2022-23 spending by industry segment, not including concessions



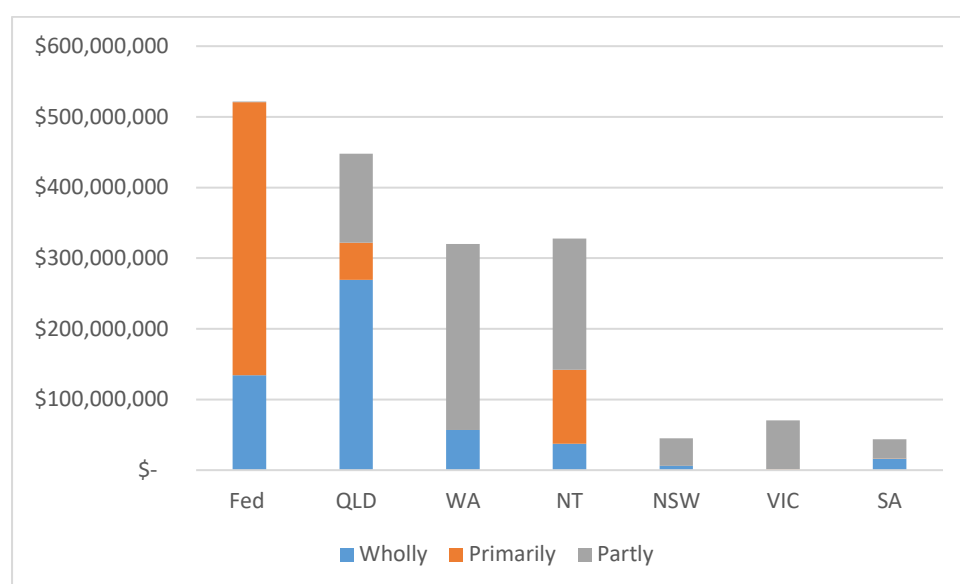
Source: Budget papers and annual reports

Figure 4 shows that in 2020–21, the coal industry received more subsidies than other industry segments, but in the following years the oil and gas industry is easily the largest recipient of fossil fuel subsidies. The significant increase in subsidies for gas and oil largely reflects Federal Government policies and budget payments: 80% of Federal Government fossil fuel spending in 2022–23 was dedicated to gas and oil.

2022-23 SPENDING BY DEDICATION

Budget spending was classified as wholly, primarily or partly dedicated to fossil fuels. Figure shows total Federal, state and territory spending in 2021-22 by dedication, not including concessional subsidies.

Figure 5: Budget 2022-23 spending by dedication, not including concessions



Source: Budget papers and annual reports

Figure 5 shows that 30% of all non-concessional subsidies, worth \$520 million, are classified as wholly dedicated to fossil fuels, of a total \$1.78 billion. These are most predominant in Queensland, with its spending on state-owned fossil fuel power generation and mines.

Subsidies dedicated partly to fossil fuels are where the industry receives tangible economic benefits from the spending, but are not the exclusive beneficiaries. Partly dedicated fossil fuel subsidies were the most common for all states except Queensland.

Federal Government

In the 2022–23 Budget, the Federal Government provided \$9.8 billion worth of subsidies to fossil fuel industries. The largest component of this assistance was tax concessions for major fossil fuel users through the Fuel Tax Credit Scheme. This subsidy was valued at \$7.76 billion. Other tax breaks on fuel excise and the Petroleum Resources Rent Tax (PRRT) account for a further \$1.49 billion.

The Federal Government also provided a total of \$522 million of further, non tax-based subsidies in 2022–23. Table 3 below sets out the costs of both tax-based and non tax-based subsidies, along with the total assistance provided to fossil fuel industries in 2022–23. (The equivalent figures for 2021–22 are also provided for comparison.)

Table 3: Federal Government fossil fuel subsidies 2021–22 and 2022–23 (\$ million)

Dedication to fossil fuels	2022-23 Budget spending	2022-23 tax concessions	Total 2022-23 assistance	Total 2021-22 assistance
Wholly	\$134	\$9,197	\$9,331	\$10,119
Primarily	\$387	\$55	\$442	\$64
Partly	\$1	\$-	\$1	\$332
Total	\$522	\$9,252	\$9,774	\$10,515

Source: Federal Government Budget Papers 2021–22 and 2022–23



Table 3 shows that Federal Government assistance to the fossil fuel sector in 2022–22 is \$741 million lower than it was in 2021–22. At face value, this appears a positive development. However, the decrease in subsidies has not been driven by any policy to reduce the level of assistance provided to fossil fuel industries. Instead, it is due to reductions in the rate of fuel excise made in response to the global energy price shock following Russia’s invasion of Ukraine. The reduction in fuel excise has meant that the value of the tax breaks from that excise have also declined in value. This is discussed further below.

This apparent respite in subsidisation of fossil fuel industries is not expected to last. Over the longer term, the total estimated value of fossil fuel subsidies—including capital value and budget paper forward estimates for 2022–23 Federal projects and programs—is \$49.7 billion. This figure represents the amount that the Federal Government anticipates it will

spend on projects and programs that were funded this year. This is an increase of \$1.7 billion on last year's total of \$48.0 billion, as shown in Table 4 below:

Table 4: Federal Government fossil fuel subsidies—total project/program funding

Dedication to fossil fuels	Total value 2022-23	Total value 2021-22
Wholly	\$46,910	\$44,847
Primarily	\$2,334	\$240
Partly	\$441	\$2,921
Total	\$49,685	\$48,008

Source: Federal Government Budget Papers



These changes have been driven largely by the Fuel Tax Credit Scheme. Beyond that program, the Albanese government has reduced, redirected and eliminated some of the subsidies of the Morrison government. Australia's "gas-fired recovery" and related spending measures have largely disappeared from the budget. The \$1.6 billion budgeted for the fossil fuel-heavy "Technology Investment Roadmap" is no more.

Unfortunately, many other Morrison government fossil fuel subsidies continue as planned, or have been re-branded. Subsidies to develop an unconventional gas industry in the Northern Territory continue unabated. Money for "Strategic [gas] basin plans" has been redirected to "Supporting the supply of Australian gas". Government bodies such as the Northern Australia Infrastructure Fund, Snowy Hydro and the Australian Rail Track Corporation continue to fund and invest in fossil fuel expansion.

TAX CONCESSIONS

Fuel Tax Credit Scheme

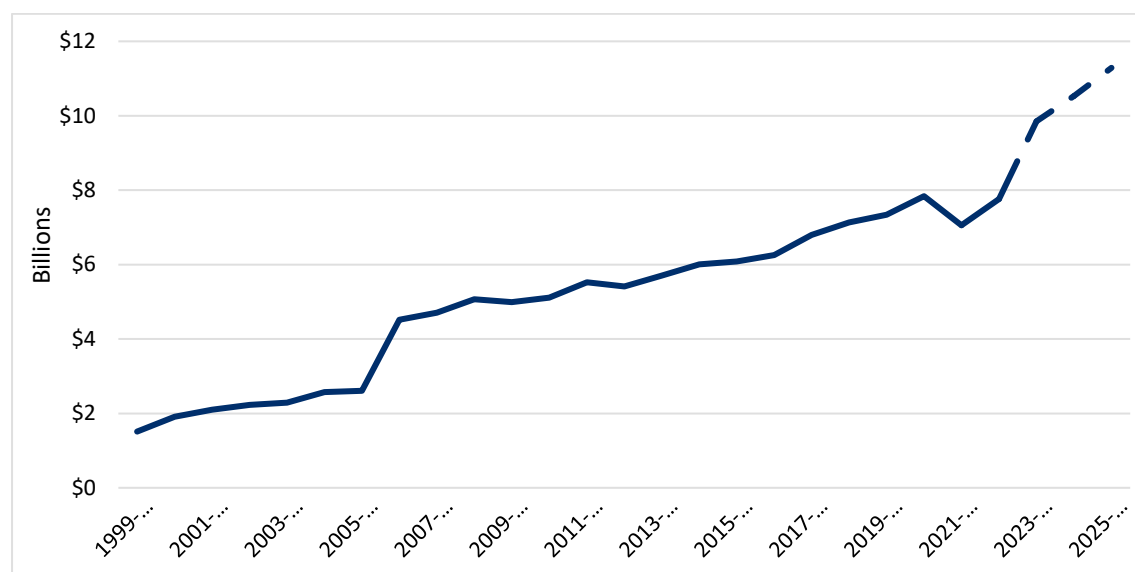
The biggest Federal Government fossil fuel subsidy is the Fuel Tax Credit Scheme. The scheme allows businesses to claim a tax credit on fuel used in machinery, vehicles over 4.5 tonnes and vehicles not used on public roads.¹¹ This tax break works to make fossil fuel use cheaper for energy-intensive businesses, such as coal mines. It is not available to other businesses and individuals that use machinery and vehicles for productive use. Fuel taxes

¹¹ ATO (2021) Fuel tax credits – business, <https://www.ato.gov.au/Business/Fuel-schemes/Fuel-tax-credits---business/>

are not linked to road funding, as is commonly suggested by recipients of this subsidy; they simply contribute to general revenue, like most other federal taxation.

The cost of the Scheme has increased steadily over the years—it cost under \$2 billion at the turn of the century, and will reach \$7.76 billion in 2022-23. Further, rapid growth is expected in the coming years: as shown in Figure 6 below, the cost of the Scheme is forecast to reach \$11.29 billion in 2025-26:

Figure 6: Total cost of the Fuel Tax Credit Scheme per year (\$ billions)



Source: Australia Taxation Office (2022) Taxation statistics 2019-20, Excise and fuel schemes, Table 4; Australia Government (2022) Budget Paper 1.

Two features stand out in Figure 6 above: the sharp jump in 2006 and the decline after 2019–20. The former was due to the fuel tax credit replacing an earlier energy grant scheme, and the latter reflects both the impact of the COVID-19 pandemic on diesel consumption and, more importantly, a change in policy in response to increasing fuel costs.

The impact of the pandemic on diesel consumption was only “slight”;¹² the Morrison government’s decision to cut fuel excise by 50% in response to Russia’s invasion of Ukraine, and resulting energy price spikes, had a far larger effect the cost of the Scheme. Had the change not been made, the Scheme’s cost was expected to reach \$8.07 billion in 2021–22.¹³

The cut reduced excise receipts by \$5.6 billion. This had the effect of also reducing fuel tax credits by approximately \$2.7 billion over two years.¹⁴ Following the 2022 election, the

¹² DCCEEW (2022)

¹³ Australian Government (2021) *Budget Paper 1*

¹⁴ Australian Government (2022) March Budget Paper 1, p90.

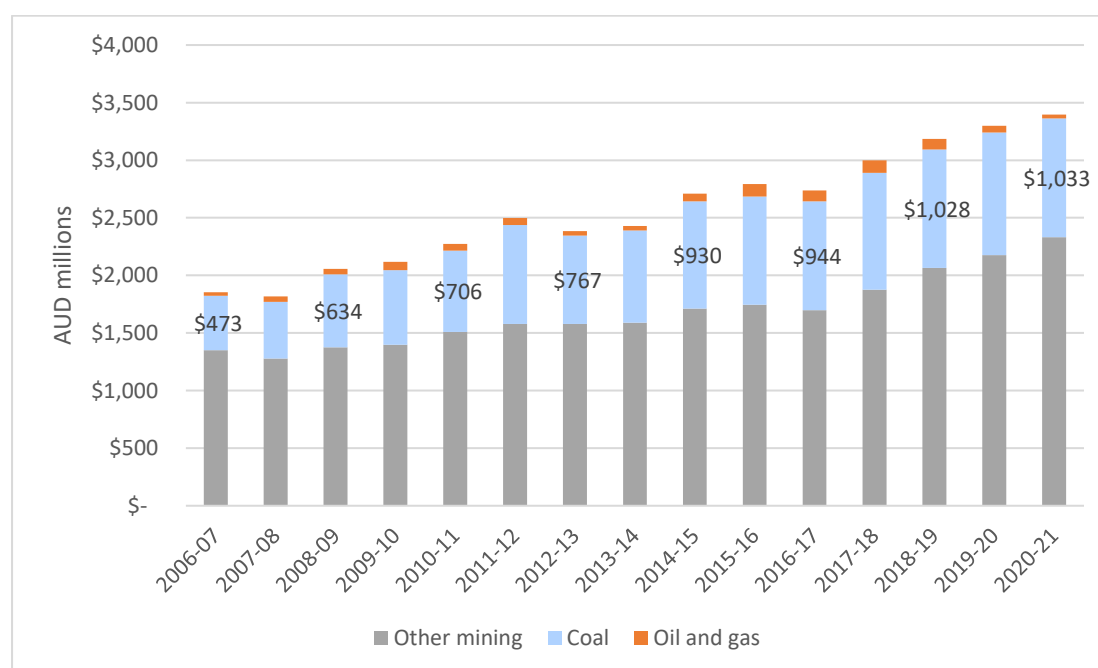
Albanese government kept fuel excise low, returning it to normal levels only in late 2022/early 2023.¹⁵

It was this change of fuel excise policy that caused the decline in the Fuel Tax Credit, not a decline in fossil fuel use or a reduction in fossil fuel subsidies. With the return to the full rate of fuel excise and with no policy to reduce Australia's diesel use, the cost of the Fuel Tax Credit Scheme is budgeted to increase by 32.7% from 2022–23 to 2025–26.

In the 2022–23 budget, the Fuel Tax Credit was listed 19th in the Top 20 expense programs, higher than spending on Army Capabilities (20th at \$7.61 billion). In the same year, the Federal Government spent \$10.6 billion on childcare subsidies. That means the Fuel Tax Credit is worth 73% of Federal Government spending on childcare.

The Fuel Tax Credit Scheme not only subsidises the consumption of fossil fuels; fossil fuel producers themselves are key beneficiaries of the subsidy. The total benefits to the coal industry between 2006–07 and 2020–21 are \$12.3 billion, as shown in **Error! Reference source not found.** below.

Figure 7: Fuel tax credits and the mining industry



Source: Australia Taxation Office (2022) *Taxation statistics*, Excise and fuel schemes, Table 4

Error! Reference source not found. shows that as of 2020–21, the Fuel Tax Credit was worth over \$3 billion per year to the mining industry, with over \$1 billion going to the coal industry

¹⁵ ATO (2023) *Fuel tax credit rates*, <https://www.ato.gov.au/Business/Fuel-schemes/Fuel-tax-credits---business/Rates---business/From-1-July-2022-to-30-June-2023/>

alone. Not surprisingly, the mining industry leads a campaign to maintain this lucrative subsidy.¹⁶

Other tax concessions

Fossil fuel producers and users receive exemptions from various taxes and excises. Such exemptions serve to reduce government revenue, and also to reduce incentives to minimise fossil fuel use and/or production. The cost of these concessions is estimated in the Tax Expenditures and Insights Statement prepared by the Federal Treasury.¹⁷ For some items, Treasury estimates a range rather than a point estimate. In these cases, our estimates take the midpoint of the Treasury's range.

Table 5: Tax-based fossil fuel subsidies 2022–23, excluding the Fuel Tax Credit Scheme

Tax concession	Dedication	Industry segment	Estimated cost
Transport for oil rig and remote area employees exemption	Primarily	Gas/Oil	\$55,000,000
Concessional rate of excise levied on aviation gasoline and aviation turbine fuel	Wholly	Consumption	\$1,190,000,000
Excise concessions for “alternative fuels” (including LPG and LNG)	Wholly	Consumption	\$80,000,000
PRRT—expenditure uplift rate	Wholly	Gas/Oil	\$55,000,000
PRRT—gas transfer price regulations	Wholly	Gas/Oil	\$55,000,000
PRRT—starting base and uplift rate for capital assets	Wholly	Gas/Oil	\$55,000,000
Total			\$1,490,000,000

Source: 2022-23 Tax Expenditures and Insights Statement

The largest concession in Table 5: Tax-based fossil fuel subsidies 2022–2 relates to aviation gasoline and turbine fuel. Civil aviation companies pay a lower rate of excise than other fuel users. Other discounts apply to “alternative fuels”, a category that includes liquified petroleum gas (LPG) and LNG. As with the Fuel Tax Credit discussed above, these discounts involve lowering the price of fossil fuels for selected users, and in doing so, they reduce government revenue, transfer costs onto other parties, and also reduce incentives to minimise fossil fuel use and related pollution.

The petroleum resource rent tax (PRRT) is levied on profits generated from the sale of oil and gas. However, a range of concessions reduce the amount of PRRT paid by the industry,

¹⁶ Fuel Tax Credit Alliance (2020) Fuel tax credits, <http://fueltaxfacts.com.au/>

¹⁷ Australian Government (2022) *2022-23 Tax Expenditures and Insights Statement*, <https://treasury.gov.au/publication/p2023-370286>

including credits for any tax losses, the use of a pricing method that undervalues gas, and deductions based on the value of project assets that can be carried forward and uplifted.

BUDGETED SUBSIDIES AND COSTS

Carbon Capture Technologies

The Federal Government will provide \$141.1 million over 10 years to assist carbon capture and storage (CCS) projects. This funding has been redirected from the Morrison government's Technology Investment Roadmap. While the Budget highlights the potential value to the manufacturing sector, it does not exclude assistance to fossil fuel industries, which have been the traditional proponents of CCS. This budget year's funding is \$800,000, categorised as partly dedicated to fossil fuels.

Supporting the supply of Australian gas

The Federal Government will provide \$65.7 million over nine years to better regulate competition in the Australian gas market, with funding to the Australian Competition and Consumer Commission and the Energy Market Regulator. Unlike most fossil fuel subsidies, there may be a strong public-interest case for this funding, given the market power of gas companies in Australia and the market failures seen in recent years. We have categorised this as a wholly fossil fuel-related subsidy as the stated intent is to assist gas supply and consumers, with no obvious element of demand reduction and gas phase-out.

Supporting Australia's Resources

This program contains two measures that will assist fossil fuel industries. The first is the provision of \$10 million over three years to support methane abatement research, which will assist the coal and gas industries. The second is an undisclosed amount that will be spent on decommissioning the Northern Endeavour offshore oil and gas facility, which was abandoned by its former owners. No estimate is included in our totals relating to the Northern Endeavour.

Geoscience Australia

Geoscience Australia's "Building Australia's resources wealth" program provides "precompetitive geoscience data and information to support new discoveries of a more

diverse suite of energy and mineral resources”.¹⁸ Highlighted examples include six new gas basins, which “improve understanding of prospectivity and encourage industry by reducing investment risk in the regions studied.” The funding for this program was \$10.5 million in 2021-22, and has been categorised as primarily dedicated to the oil and gas industry.

Gas Industry Social and Environmental Research Alliance (GISERA)

GISERA is a controversial research collaboration between state and federal governments, the gas industry, and the Commonwealth Scientific and Industrial Research Organisation (CSIRO). Its research integrity has often been called into question.¹⁹ No exact funding figures are included in budgets or annual reports, but a recent GISERA fact sheet identifies \$13.7 million in Commonwealth funding; this figure has been included in total estimates above as wholly dedicated to the gas industry, with no 2022–23 estimate included.²⁰

Northern Territory

The Federal Government is subsidising a range of measures that assist the oil and gas industry in the Northern Territory. These projects are further discussed in the NT chapter, although the following Federal funding is included in the estimates set out in Table 5 above:

- \$1.9 billion to assist a petrochemical hub at Middle Arm that will provide demand for NT gas projects;
- \$217 million to build roads explicitly for the onshore gas industry; and
- Marine infrastructure—including the Northern Australia Infrastructure Facility-supported ship lift—that will partly assist the offshore gas industry.

Snowy Hydro—Kurri Kurri Hunter Power Project

The Federal Government owns 100% of Snowy Hydro, which is building the gas-fired Kurri Kurri Hunter Power Project. The level of expenditure on the project in this budget year is not provided, and is therefore not included in 2022-23 estimates, but the original \$600 million cost estimate is included in our estimate of total assistance. This estimate now seems optimistic—a recent Senate Estimates hearing revealed that the project is running behind

¹⁸ Geoscience Australia (2022) Annual report, p21, <https://www.ga.gov.au/about/corporate-documents/annual-report>

¹⁹ See for example Ogge (2020) *CSIR...who? A closer look at recent research on coal seam gas environmental impacts*, <https://australiainstitute.org.au/report/csirwho-a-closer-look-at-recent-research-on-coal-seam-gas-environmental-impacts/>

²⁰ GISERA (2022) *About us*, gisera.csiro.au/wp-content/uploads/2022/05/21-00235_GISERA_FACTSHEET_AboutUs2pp-WEB.pdf

schedule, over budget and may not include a hydrogen component as previously promised.²¹

Hunter Valley rail network—coal

The Federal Government-owned Australian Rail Track Corporation (ARTC) is responsible for the Hunter Valley coal rail network. The ARTC 2022 Annual Report states that the rail network transported 154 million tonnes of coal for export in 2021–22. This was slightly down from 166 million tonnes the previous year. The rail network received \$129 million of capital investment in 2021–22. This funding included the Muswellbrook Bridges replacement project, which the ARTC describes as crucial to “secure the long-term reliability and productivity of [the] Hunter Valley network”.²²

CONCESSIONAL FINANCE

Export Finance Australia

Export Finance Australia (EFA)—previously Export Finance and Insurance Corporation (EFIC)—is Australia’s export credit agency. It has a long record of funding disastrous resource projects, including historic involvement in Papua New Guinea’s Ok Tedi mine and the Panguna mine that sparked the Bougainville civil war. More recently the organisation—and, therefore, Australian taxpayers—backed the PNG LNG project, which has contributed to armed conflict in PNG’s highlands and materially damaged PNG’s economy.²³

EFA’s 2022 annual report included \$10 million for oil and gas company Senex, but its long-term financing of fossil fuels is much greater. EFA has an overall exposure to the LNG industry of \$442 million, included as a total value wholly dedicated to fossil fuels.

Northern Australia Infrastructure Facility

The Northern Australia Infrastructure Facility (NAIF) is a \$5 billion fund that issues loans to infrastructure projects across sectors in northern Australia, including Queensland, Northern

²¹ Clennell (2023) *Kurri Kurri gas plant ‘a year behind schedule’ as costs soar above estimated price*, <https://www.skynews.com.au/business/energy/kurri-kurri-gas-plant-a-year-behind-schedule-as-costs-soar-above-estimated-price/video/9992ddc49904c6e93c3f1060264efd6d>

²² Australian Rail Track Corporation (2022) *Annual Report 2021–2022*, p. 22

²³ Fletcher & Campbell (2017) Submission: Export Finance and Insurance Corporation Amendment (Support for Commonwealth Entities) Bill 2016 [provisions], <https://australiainstitute.org.au/report/export-finance-and-insurance-corporation-amendment-support-for-commonwealth-entities-bill-2016-provisions/>; Fox (2018) Papua New Guinea’s massive LNG project fails to deliver on economic promises, <https://www.abc.net.au/news/2018-04-30/png-lng-project-fails-to-deliver-on-economic-promises/9710136>.

Territory and Western Australia.²⁴ It gained notoriety in 2016 due to links to the Adani coal project, and while it has since distanced itself from similarly controversial projects, it continues to issue subsidised loans to fossil fuel projects.

NAIF's 2022 annual report includes new funding to support the Perdaman Urea Project, which will be a major consumer for nearby gas projects. NAIF will assist with \$255 million in subsidised loans for related water and port infrastructure. This total value is considered wholly dedicated to fossil fuels.

NAIFs assistance to other fossil fuel projects is also included in our total figures:

- A \$168 million loan to the new Olive Downs Coal Mine;
- \$300 million in finance for the Darwin Ship Lift, which will partly assist the offshore oil and gas industry. (The balance of the project is funded by the NT government—see the NT section for more detail.);
- A \$16.8 million loan that was “integral” to the Onslow Marine Support Basel, which services the offshore oil and gas industry; and
- A \$37 million loan to the owners of the gas-fired Hudson Creek Power Station in the NT.

²⁴ NAIF (n.d.) *Investing for impact across the north*, <https://naif.gov.au/>

Queensland

Queensland produces the most coal of any state, and more gas than every state except Western Australia.²⁵ It has the highest proportion of metallurgical and thermal coal deposits in Australia, as well as the largest number of operational coal mines.²⁶ Of the 67 new coal projects currently listed on the Federal Government's Major Projects list, 47 are in Queensland.²⁷ The new gas projects slated for the North Bowen and Galilee Basins could result in more than 400 million tonnes of emissions.²⁸ The Bowen Basin gas pipeline received \$5.4 million in funding in this year's budget. The feasibility study for this project claims that opening new supplies of gas "contribute towards Queensland's transition to a low-carbon economy".²⁹ Queensland gas production tripled from 2014–15 to 2020–21.³⁰

The Queensland government, via various state-owned corporations, owns and operates coal and gas-fired power generators and coal mines, and is even developing a new gas field. It is these assets that receive the bulk of the Queensland government's assistance to fossil fuel production and consumption, which in 2022–23 totalled \$448 million in direct payments and another \$84 million in tax-based concessions to fossil fuel industries. These subsidies are set out in Table 6 below:

²⁵ Australian Government – Department of Climate Change, Energy, the Environment and Water (2022) *Australian Energy Update 2022*, Table I: Australian production of primary fuels, by state and territory, physical units, <https://www.energy.gov.au/publications/australian-energy-update-2022>

²⁶ Australian Government - Department of Industry, Science and Resources (2023), p. 50, 60, *Resources and Energy Quarterly - March 2023*, <https://www.industry.gov.au/publications/resources-and-energy-quarterly>

²⁷ Campbell et al (2023) *New fossil fuel projects in Australia 2023*, <https://australiainstitute.org.au/report/new-fossil-fuel-projects-in-australia-2023/>

²⁸ 350.org (2021) *GAS-TASTROPHE: the climate impact of the Government's strategic gas basins*, <https://350.org.au/gas-tastrophe-the-climate-impact-of-the-governments-strategic-gas-basins/>

²⁹ Queensland Government (2022) *Bowen Basin pipeline study*, <https://www.resources.qld.gov.au/mining-exploration/initiatives/bowen-basin-pipeline>

³⁰ Australian Government – Department of Climate Change, Energy, the Environment and Water (2022) *Australian Energy Update 2022*, <https://www.energy.gov.au/publications/australian-energy-update-2022>

Table 5: Queensland government 2022–23 fossil fuel subsidies

Dedication to fossil fuels	Budget spending	Concessions	Total assistance
Wholly	\$269,122,000	\$0	\$269,122,000
Primarily	\$52,698,000	\$51,600,000	\$104,298,000
Partly	\$125,952,000	\$32,880,000	\$158,832,000
Total	\$447,772,000	\$84,480,000	\$532,252,000

Source: Queensland government (2022) Budget Papers

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A number of fossil fuel subsidies in Queensland are classified in the budget papers as “ongoing”, due to public ownership of utilities and ports in Queensland. The total estimated value—including capital values of non-ongoing projects and forward estimates for ongoing 2022-23 projects and programs—is \$1.96 billion. This is the amount that the Queensland government anticipates it will spend in the longer term on projects that were funded this year. Table 6 breaks down this total by dedication to fossil fuels.

Table 6: Queensland government total value of budgeted projects/programs, 2022–23

Dedication to fossil fuels	Capital values/forward estimates
Wholly	\$613,796,000
Primarily	\$429,800,000
Partly	\$713,569,000
Total	\$1,757,165,000

Source: Queensland government (2022) Budget Papers

The Queensland government’s fossil fuel subsidies have declined over the course of the last two years: expenditure on subsidies fell from \$744 million in 2020–21 to \$593 million in 2021–22, a decline of 20%. The cost of concessions declined at a similar rate, falling 18% from \$87 million in 2020–21 to \$71 million in 2020–21.

Expenditure fell again in 2022–23: this year’s figure is \$448 million, 25% lower than the \$593 million of 2021–22. These patterns are likely related to the declining proportion of fossil fuels in the electricity mix, and previously planned expansions of fossil fuel exports being less likely to proceed. Gladstone Ports, Stanwell Power Station (coal), Kogan North (gas), and Swanbank E (coal) all received significantly smaller budget allocations in 2022–23 than in previous years.

Concessions, however, increased in 2022–23: they rose to \$84 million, a 19% increase from 2020–21’s figure of \$71 million. This increase was largely due to the \$9.4 million Hydrogen Industry Development Fund³¹ and the Renewable Energy and Hydrogen Jobs Fund, under which \$15 million has been allocated to Stanwell for a hydrogen export facility in Gladstone.³²

COAL MINES AND POWER STATIONS

Swanbank E Power Station

Swanbank E is a 385 MW gas-fired power station operated by state-owned CleanCo in southeast Queensland.³³ Swanbank E was mothballed in 2014 but brought back online in 2017 with financing from the Queensland government.³⁴ In March 2023, the Queensland government announced plans to transform Swanbank E into a Clean Energy Hub, which will include green hydrogen infrastructure.³⁵ This year’s budget allocates \$4.3 million to Swanbank E (down from \$15.2 million in 2021–22) for overhauls, maintenance and upgrades of generator units. This figure was classified as wholly dedicated to fossil fuels.

Kogan North Gas Field

Gas from the Kogan North Gas Fields in the Darling Downs Region will supply the Swanbank E gas-fired power station, operated by CleanCo.³⁶ The development is a joint venture between CleanCo and Arrow Energy, agreed to in October 2020.³⁷ The budget allocates \$13.6 million to the project in 2022–23—just over half of the previous year’s \$24.6 million—and this figure was classified as wholly dedicated to fossil fuels.

³¹ Queensland Government – State Development, Infrastructure, Local Government and Planning, *Hydrogen Industry Development Fund*, <https://www.statedevelopment.qld.gov.au/industry/priority-industries/hydrogen-industry-development/hydrogen-industry-development-fund>

³² Queensland Treasury, *Queensland Renewable Energy and Hydrogen Jobs Fund*, <https://www.treasury.qld.gov.au/programs-and-policies/queensland-renewable-energy-and-hydrogen-jobs-fund/>

³³ CleanCo Queensland (n.d.) *Factsheet Swanbank E Power Station*, https://cleancoqueensland.com.au/wp-content/uploads/Documents/Assets_and_Projects/Factsheet_Swanbank-E.pdf

³⁴ Morrison (2021) *Queensland writes off Swanbank E gas-fired power plant*, <https://www.argusmedia.com/en/news/2184709-queensland-writes-off-swanbank-e-gas-fired-power-plant>

³⁵ The Hon Mick de Brenni, Mr Lance McCallum (2023) *250MW Swanbank Battery as SEQ joins Clean Energy Hub revolution*, <https://statements.qld.gov.au/statements/97331>

³⁶ CleanCo Queensland (2021) *CleanCo Annual Report FY21*, <https://www.cleancoqld.com.au/wp-content/uploads/2021/09/CleanCo-Annual-Report-20214.pdf>

³⁷ Ibid.

CS Energy—Callide and Kogan Creek

Callide Power Station is a 1,525 MW black coal-fired power station in Biloela, Central Queensland, operated by government-owned CS Energy.³⁸ Callide Power Station comprises three power stations—Callide A, B and C—that deliver energy to the National Electricity Market.

In May 2021, an explosion and fire at Callide C Power Station caused widespread blackouts—some 500,000 homes, from southern Queensland to Cairns, were without power for several hours.³⁹ Callide C is one of the state’s newest power stations, a “supercritical” plant built in 2001; it broke down eight times in 2020.⁴⁰ Energy lost in the blackout was replaced by energy from the Wivenhoe pumped-hydroelectric power station and Swanbank E gas-fired power stations.⁴¹

CS Energy wrote down the value of the Callide B and Callide C generators by \$191.7 million and \$161.7 million respectively in December 2020, a move driven by electricity prices.⁴² In September 2021, after the failure of unit C4, CS Energy reported a net loss of \$266 million; it would pay no dividends to the government this financial year.⁴³ Unit C4, the site of the explosion and fire, is not expected to come back online until May 2023.⁴⁴ The Queensland budget allocates \$45 million to Callide Power Station in 2022–23.

Kogan Creek Power Station is a 750 MW black coal power station in southwest Queensland.⁴⁵ It is supplied by Kogan Creek Mine, with raw coal production of 2.8 Mtpa.⁴⁶

³⁸ CS Energy (n.d.) *Callide Power Station*, <https://www.csenergy.com.au/what-we-do/generating-energy/callide-power-station/callide-power-station>

³⁹ Smee (2021) *Queensland power plant explosion causes mass outages across state*, <https://www.theguardian.com/australia-news/2021/may/25/queensland-power-plant-explosion-causes-mass-outage>

⁴⁰ Smee (2021) *Coal-fired power plant that caused Queensland blackouts broke down eight times in past year*, <https://www.theguardian.com/australia-news/2021/may/26/coal-fired-power-plant-that-caused-queensland-blackouts-broke-down-eight-times-in-past-year>

⁴¹ Smee (2021) *Coal-fired power plant that caused Queensland blackouts broke down eight times in past year*

⁴² Mazengarb (2020) *Queensland budget delivers \$500m renewables fund, as coal plant revenues slump*, <https://reneweconomy.com.au/queensland-budget-delivers-500m-renewables-fund-as-coal-plant-revenues-slump-94819/>

⁴³ Peel (2021) *Queensland energy generator dividends slump*, <https://www.theaustralian.com.au/nation/politics/queensland-energy-generator-dividends-slump/news-story/8f29a7e8a6e37065362ec0ee3784a03b>

⁴⁴ Ludlow (2023) *Still no answer to ‘catastrophic failure’ at Callide power station*, <https://www.afr.com/companies/energy/still-no-answer-to-catastrophic-failure-at-callide-power-station-20230125-p5cfha>

⁴⁵ CS Energy (n.d.) *Kogan Creek Power Station*, <https://www.csenergy.com.au/what-we-do/thermal-generation/kogan-creek-power-station>

⁴⁶ CS Energy (2016) *Overview of Kogan Creek Mine*, <https://www.csenergy.com.au/who-we-are/reports-and-publications/all-reports-and-publications?dfaction=search&dfdtitle=kogan%20creek>

The budget allocates \$30.3 million to Kogan Creek Power Station and \$1.2 million to Kogan Creek Mine, classified as wholly dedicated to fossil fuels. The Queensland government has announced a skills study at Kogan Creek, with a view to provide industry workforce for future hydrogen energy.⁴⁷

Stanwell Power Station

Stanwell Power Station is a 1,460 MW coal power station that supplies electricity to the National Electricity Market using black coal sourced from the Curragh Mine in Blackwater, central Queensland.⁴⁸ It is operated by the state-owned Stanwell Corporation, which also operates the Tarong power stations and Meandu coal mine (see below).

In December 2020, Stanwell Corporation wrote down the value of both Tarong Power Stations and Stanwell Power Station by a total of \$719.5 million.⁴⁹ In April 2021, the company revealed plans to transition away from fossil fuels and towards renewables, including trying to increase the flexibility of supply and the possibility of coal-generating units being taken offline for parts of the year.⁵⁰

The Queensland Budget allocates \$50.4 million to Stanwell Power Station's ash storage project, control systems upgrades, overhauls and other projects, down from \$74.4 million in 2021–22.

Meandu Mine and Tarong Power Stations

The Meandu coal mine services Stanwell's coal-fired Tarong power stations. It has five working pits and produces up to 7.6 million tonnes of coal each year.⁵¹ Ash waste from the Tarong power stations is also deposited at the mine.⁵² In August 2021, Stanwell committed to expand Meandu mine, increasing pit size by 7% but maintaining the mine's total production rate, to ensure feedstock for Tarong and Tarong North power stations.⁵³ The

⁴⁷ Queensland Government (2023) *Hydrogen skills study underway at Kogan Creek*, <https://statements.qld.gov.au/statements/97087>

⁴⁸ Stanwell (n.d.) Stanwell Power Station, <https://yhejitl3sl24wn203q4vn14z-wpengine.netdna-ssl.com/wpcontent/uploads/FactSheet-Stanwell-MAY-2018.pdf>

⁴⁹ Mazengarb (2020) *Queensland budget delivers \$500m renewables fund, as coal plant revenues slump*

⁵⁰ Smeed (2021) *Australia's third-largest carbon emitter says it must transition to renewables and curtail coal plants*, <https://www.theguardian.com/australia-news/2021/apr/21/stanwell-corporation-australia-third-largest-carbon-emitter-says-it-must-transition-to-renewables-and-curtail-coal-plants>

⁵¹ Stanwell (n.d.) Meandu Mine, https://www.stanwell.com/wp-content/uploads/STAN_FactSheet_Meandu-Mine-January-2022.pdf

⁵² Ibid.

⁵³ Hunt (2021) *Stanwell to expand Meandu coal mine*, <https://www.miningmonthly.com/life-cycle-end-of-life-management/news/1415088/stanwell-to-expand-meandu-coal-mine>

state budget allocates \$21 million to Meandu Mine, classified as wholly dedicated to fossil fuels—less than half of the \$50 million allocated in 2021–22.

The Tarong power stations are among Queensland’s largest electricity generating sites, comprised of four units each capable of producing 350 MW, and one capable of producing 443 MW.⁵⁴ The budget allocates \$66.7 million, double the previous year’s allocation, to the Tarong power stations for transformer replacement, ash offtake projects, low-temperature reheater replacement, overhauls and other projects, classified as wholly dedicated to fossil fuels.

PORTS

Fossil fuel subsidies in the state budget include funding for a number of ports in Queensland. Queensland’s port sector is a significant recipient of state budget infrastructure funding to support both imports and exports. Port-related funding is granted to the Port of Townsville Limited, Far North Queensland Ports Corporation Limited, Gladstone Ports Corporation Limited and North Queensland Bulk Ports Corporation Limited. These port companies manage both fossil fuel (gas, coal, oil/petroleum products) and non-fossil fuel imports and exports, such as timber, sugar, cargo, agricultural and food products, and minerals.

Far North Queensland Ports Corporation Limited

Far North Queensland Ports Corporation Limited, trading as Ports North, owns and manages the Port of Cairns and other small ports in Far North Queensland, and trades a range of products. In the 2021–22 financial year, the Port of Cairns imported over 500,000 tonnes of petroleum products.⁵⁵ Funding of \$1.4 million in the budget for Far North Queensland Ports Corporation is partly dedicated to fossil fuels, and goes to general cargo consolidation, plant, equipment, minor works and site decontamination.

Gladstone Ports Corporation Limited

Gladstone Ports Corporation Limited operates the Port of Gladstone and Port Alma. Fossil fuel trade occurs primarily through the Port of Gladstone, which is by far the largest of all Gladstone’s ports. Coal and LNG make up 83% of exports from the Port of Gladstone; a small amount of LP gas, petroleum coke and other petroleum products is also imported via the

⁵⁴ Stanwell (n.d.) *Our power stations*, <https://www.stanwell.com/energy-assets/our-power-stations/>

⁵⁵ Ports North (2022) *Ports North Annual Report 2021 | 2022*, p 17, <https://documents.parliament.qld.gov.au/tp/2022/5722T1364-56F9.pdf>

port.⁵⁶ Funding for Gladstone Ports Corporation goes to marine projects, ship loader replacement and the RG Tanna Coal Terminal projects. This funding totalled \$58.4 million in the 2022-23 budget—just over half of the previous year’s \$102 million allocation. This funding is classified as primarily dedicated to fossil fuels, and includes \$13 million of the promised \$63.9 million for a new coal shiploader that, according to the Queensland government, will “secure the capacity of the RG Tanna terminal for another 25 years”.⁵⁷

North Queensland Bulk Ports Corporation Limited

North Queensland Bulk Ports Corporation operates the Ports of Mackay, Weipa, Abbot Point and Hay Point. Hay Point is the largest metallurgical coal export port in the world and Abbot Point is Australia’s northernmost coal export port.⁵⁸ Petroleum is the largest throughput for the Port of Mackay.⁵⁹ Overall trade through North Queensland Bulk Ports’ facilities declined by 11% in 2020-21, with coal making up 87% of throughputs for all North Queensland Bulk Ports. Metallurgical coal constitutes 75% of coal exports through the Ports, with the remaining 25% thermal coal. Coal trading volumes were down through both Abbot Point and Hay Point Ports compared to the previous year.⁶⁰

Fossil fuel funding in the budget goes to projects for Abbot Point, Hay Point and the Port of Mackay for general development, business improvements and a range of small projects including dredging. The funding for the Abbot Point and Hay Point projects is classified as wholly dedicated to fossil fuels, while the other projects’ funding is classified as primarily or partly dedicated to fossil fuels. Funding for the Louisa Creek Acquisition Program is also included—the Louisa Creek residential area near Hay Point is soon to have a number of houses demolished to allow for expansion works.⁶¹ Fossil fuel subsidies for North Queensland Bulk Ports Corporation are \$8.7 million in the budget.

⁵⁶ Gladstone Ports Corporation Limited (2022) *Cargo Statistics Selections*, <https://content3.gpcl.com.au/viewcontent/CargoComparisonsSelection/>

⁵⁷ Queensland Government (2022) *New coal shiploader secures Gladstone’s export future*, <https://statements.qld.gov.au/statements/94411>

⁵⁸ North Queensland Bulk Ports Corporation (2021) *North Queensland Bulk Ports Annual Report 2020/21*, https://nqbp.com.au/__data/assets/pdf_file/0024/37707/NQBP-Annual-Report-2020_21_-Final_PDF-Print.pdf

⁵⁹ North Queensland Bulk Ports Corporation (2021) *North Queensland Bulk Ports Annual Report 2020/21*
North Queensland Bulk Ports Corporation (2022) *Throughputs*, <https://nqbp.com.au/trade/throughputs>

⁶⁰ Ibid.

⁶¹ Petith & Miko (2022) *From 200 to 31 homes: The town that may soon disappear*, <https://www.couriermail.com.au/news/queensland/mackay/nqbp-to-demolish-8-louisa-creek-homes-for-coal-terminal-expansion/news-story/b2a1cdaab722df70561790bb207f8ab4>

Port of Townsville

The Port of Townsville is a major Queensland port, through which companies including Shell, Mobil, Caltex, BP, Ampol, Amco, HC Sleigh and Vacuum Oil Pty have been importing oil and petroleum products since the 1930s.⁶² The Port of Townsville imports and exports a range of products, including cement, vehicles, sugar, timber, agricultural products and minerals.⁶³ Liquid fuel was the largest import in 2020-21, comprising 42% of total imports, a 2% increase compared to 2019-20.⁶⁴ The Townsville Hydrogen Hub appears to be limited to green hydrogen and is also currently in its early stages of development. It is slated to use Port of Townsville infrastructure, but no spending is included here.⁶⁵

The Townsville Channel Capacity Upgrade will deliver 62 hectares of reclaimed land for port operations and widen the shipping channel to allow access to larger vessels and increase trade capacity for the region. This year's budget allocation is \$47.8 million, classified as partly dedicated to fossil fuels.

INDUSTRIAL PRECINCTS

Gladstone State Development Area

The Gladstone State Development Area connects major rail and roads to processing facilities and ports for large industrial activities, including a number of fossil fuel-related activities. The Gladstone State Development Area includes Australia Pacific LNG, Santos Gladstone LNG, Queensland Curtis LNG and Southern Oil's northern oil refinery.⁶⁶ The budget dedicates \$1.4 million to the Gladstone State Development area. In 2021–22, the budget estimated a total capital outlay of \$11.6 million for the project. In this budget, that number has dropped significantly to just \$1.63 million.

⁶² Port of Townsville (n.d.) *Port History*, <https://www.townsville-port.com.au/about/port-history/>

⁶³ Ibid.

⁶⁴ Port of Townsville (2021) *Annual Report 2020-21*, https://s3-ap-southeast-2.amazonaws.com/os-data-2/townsville-port-2/bundle13/annual_report_2020-21.pdf

⁶⁵ Australian Government – Department of Climate Change, Energy, the Environment and Water (2023) *Townsville Region Hydrogen Hub grant guidelines available*, <https://www.dcceew.gov.au/about/news/townsville-region-hydrogen-hub-grant-guidelines-available>

⁶⁶ Queensland Government (n.d.) *Gladstone State Development Area*, <https://www.statedevelopment.qld.gov.au/coordinator-general/state-development-areas/current/gladstone-state-development-area>

Salisbury Plains Industrial Precinct

The Salisbury Plains Industrial Precinct is located within the Abbot Point State Development Area and has been identified by the Queensland Government as suitable for supporting infrastructure for the Adani/Carmichael Rail, Adani Abbot Point Coal Terminal, GVK Hancock Rail and Queensland Coal Investment projects.⁶⁷ Industries considered suitable for the area include a LNG facility, fuel storage and associated infrastructure, and extractive industries.⁶⁸ The budget dedicates \$500,000 to the Salisbury Plains Industrial Precinct and identifies a capital value of \$9.3 million, classified as primarily dedicated to fossil fuels.

Townsville Regional Industrial Estate

Budget papers refer to spending on the “Townsville Regional Industrial Estate”, which appears to be within the Townsville State Development Area. The Townsville State Development Area serves the Port of Townsville and nearby roads and rails that provide access to industrial and resource development areas.⁶⁹ The Townsville State Development Area is currently home to a number of industrial facilities, including Origin Energy’s Mt Stuart gas-fired peaking generator plant.⁷⁰ The budget dedicates \$200,000 to the Townsville Regional Industrial Estate, the same amount dedicated in the previous budget, and identifies a capital value of \$6.3 million, classified as primarily dedicated to fossil fuels.

RAIL

Mount Isa Line

The Mount Isa Line transports copper, lead, zinc, silver and phosphate rock, and is responsible for carrying 75% of Queensland’s non-coal mineral output.⁷¹ However, the Mount Isa Line Infrastructure Master Plan identifies that “current interest in developing substantial coal deposits in the Northern Galilee Basin underwrite the unprecedented growth opportunities for the Mount Isa Line”.⁷² The Port of Townsville is the primary

⁶⁷ Economic Development Queensland (n.d.) *Salisbury Plains Industrial Precinct*, <https://industrial.edq.com.au/Salisbury-Plains-Industrial-Precinct-property-for-sale>

⁶⁸ Economic Development Queensland (n.d.) *Salisbury Plains Industrial Precinct*

⁶⁹ Queensland Government (n.d.) *Townsville State Development Area*, <https://www.statedevelopment.qld.gov.au/coordinator-general/state-development-areas/current/townsville-state-development-area>

⁷⁰ Ibid.

⁷¹ Queensland Rail (2012) *Mount Isa Line Rail Infrastructure Master Plan*, https://www.queenslandrail.com.au/business/access/Documents/Maps/QR4159.1%20Infrastructure%20Master%20Plan%202012_Updated_LR.pdf

⁷² Ibid.

destination for the majority of products transported on the Mount Isa Line.⁷³ The budget allocates \$16.3 million for works on the Townsville-Mount Isa Rail Line for maintenance and \$7.2 million to the Mount Isa Line for capacity and resilience improvements, and estimates a total project cost of \$50 million. All these costs are classified as partly dedicated to fossil fuels.

Maintenance of below rail assets—North Coast Line and West Moreton rail line

The West Moreton rail line predominantly carries coal, including that from the controversial New Acland Mine.⁷⁴ The West Moreton system connects Brisbane to the west and south western regions, and provides a major artery to the Darling Downs.⁷⁵

The North Coast Line is a freight and passenger line that predominantly transports sugar, grain and livestock; it also links the Mount Isa Line to the Port of Townsville.⁷⁶ Funding for the North Coast Line and the West Moreton rail system—at \$17 million and \$42.5 million respectively—is for the maintenance of these rail assets. The funding for the North Coast Line is classified as partly dedicated to fossil fuels, while the funding for the West Moreton rail system is classified as primarily for fossil fuels.

CONCESSIONS

Concessions in the Queensland budget include targeted discounts, rebates, and subsidies for individuals and businesses. These include both direct budget outlays (i.e. fee subsidy payments) and forgone revenue (i.e. revenue lost through reduced fees and charges). They are listed in the budget's Concessions Statement, provided they are above the minimum materiality threshold of \$50,000 in forgone revenue.⁷⁷

Concessions that constitute fossil fuel subsidies can take a number of forms.

⁷³ Ibid.

⁷⁴ Queensland Rail (2016) *West Moreton System Information Pack - Issue 3.1*, <https://www.queenslandrail.com.au/business/access/Documents/West%20Moreton%20System%20Information%20Pack%20-%20Issue%203.1%20-%20October%202016.pdf>

⁷⁵ Queensland Rail (n.d.) *West Moreton system*, <https://www.queenslandrail.com.au/forbusiness/the-regional-network/west-moreton-system>

⁷⁶ Queensland Rail (2016) *North Coast line system*, <https://www.queenslandrail.com.au/forbusiness/the-regional-network/north-coast-line-system>

⁷⁷ Queensland Government (2021) *Queensland Budget 2021-22 – Budget Strategy & Outlook | Budget Paper No. 2*

Concessions from government-owned corporations

These include concessions from government-owned corporations (“GOCs”)—for example, port corporations—to organisations and businesses. Concessions delivered by GOCs related to fossil fuels include:

- Far North Queensland Ports Corporation Limited, partly dedicated to fossil fuels (oil), worth \$3.4 million;
- Gladstone Ports Corporation Limited, primarily dedicated to fossil fuels (various), worth \$43.5 million;
- North Queensland Bulk Ports Corporation Limited, primarily dedicated to fossil fuels (various), worth \$1.6 million; and
- Port of Townsville Limited, primarily dedicated to fossil fuels (oil), worth \$6.5 million.

Concessional leases

All of the above GOCs also provide concessions via Concessional Leases (Industry, Commercial and Community), provided to industry participants at rates lower than commercial rates. Gladstone Ports Corporation Limited also provides Concessional Port Charges, where port charges are contracted at significantly below market rates.⁷⁸

Rail subsidies

The Mount Isa Line Incentive Scheme promotes the use of rail for freight and developing the North West Minerals Province by subsidising eligible freight users to reduce rail costs. This concession is worth \$20 million in the budget and is classified as partly subsidising fossil fuels (specifically coal).

Other concessions

The fossil fuel industry is also eligible for other concessions. The Special Interest Vehicle Concession can be used towards vehicles built for the “specific purpose of mineral or oil exploration”,⁷⁹ but the value of these concessions is not disclosed in the budget. The fossil fuel industry, especially the gas industry, will also be eligible for concessions via the Hydrogen Industry Development Fund worth \$9.48 million in 2022–23; this is classified as

⁷⁸ Ibid.

⁷⁹ Queensland Government (2022) *Queensland Budget 2022-23 – Budget Strategy & Outlook*/Budget Paper No. 2

partly dedicated to fossil fuels. This figure includes \$1.78 million in funding to Australian Gas Networks Limited for a gas blending trial into the Gladstone gas distribution network.⁸⁰

Concessions are also available via the Renewable Energy and Hydrogen Jobs Fund, through which Stanwell Corporation has been allocated \$15 million towards a large-scale hydrogen export facility in Gladstone. This project is a collaboration with gas company APA Group, and is considered partly dedicated to fossil fuels.

⁸⁰ Queensland Government (n.d.) *Hydrogen Industry Development Fund – Round 1, Hydrogen Park (HyP) Gladstone*, <https://www.statedevelopment.qld.gov.au/industry/priority-industries/hydrogen-industry-development/hydrogen-industry-development-fund>

Western Australia

Western Australia (WA) is the nation's largest oil and gas producer, accounting for 60% of natural gas and 80% of crude oil and condensate production in Australia.⁸¹ The state's oil and gas production had a total value of \$52 billion in 2021–22.⁸² The coal industry in WA is comparatively small, producing only 1.2% of Australia's saleable coal.⁸³

The majority of oil and gas produced in WA is exported, while all coal produced is used domestically—primarily in energy production.⁸⁴ WA imports some coal from New South Wales for electricity generation.⁸⁵ Fossil fuels made up 64% of WA's energy generation in 2023, with 39% of this coming from coal; only 35% of energy generation was from renewables.⁸⁶

The dominance of the fossil fuel industry in the state's energy generation and export industry is reflected in the level of assistance it is provided by the WA government. Table 8 shows that the WA government is spending \$320 million assisting fossil fuel industries in 2022–23, with \$1.4 billion budgeted for the future. These figures are a large increase on the \$108 million identified in 2021–22 and \$341 million total. The reasons for this increase include:

- The inclusion in this report of operational expenses incurred by the Department of Jobs, Tourism, Science and Innovation (DJTSI) in circumstances where the agency provides material support for gas use and production. These operational expenses were not included in previous versions of this report and this omission means previous estimates of fossil fuel assistance were understated.
- A significant allocation of \$90 million for infrastructure works at the Dampier Port in 2022–23 as part of the \$195 million Dampier Cargo Wharf Extension project, which will accommodate vessels supporting the offshore oil and gas industry.

⁸¹ DCCEEW (2022) *Australian Energy Update 2022, Table 1, Australian production of primary fuels, by state and territory, physical units*, <https://www.energy.gov.au/publications/australian-energy-update-2022>

⁸² WA DJTSI (2023) *Western Australia LNG profile – March 2023*, <https://www.wa.gov.au/system/files/2023-04/WA%20LNG%20Profile%20-%20March%202023.docx>

⁸³ Australian Government (2021) *Resources and Energy Quarterly March 2023, Historical Data*, <https://www.industry.gov.au/publications/resources-and-energy-quarterly-march-2023>

⁸⁴ Government of Western Australia (2021) *Major commodities resource data*; Government of Western Australia (2021) *2020–21 Economic indicators resource data*, <https://www.dmp.wa.gov.au/About-Us-Careers/Latest-Statistics-Release-4081.aspx>

⁸⁵ Bourke (2022) Mark McGowan says WA 'likely' to need imported coal amid rising concerns over electricity grid, <https://www.abc.net.au/news/2022-11-01/mark-mcgowan-says-wa-will-likely-have-to-import-coal/101601850>

⁸⁶ McConnell et al (2021) *Energy, Western Australia*, <https://opennem.org.au/energy/wem/?range=1y&interval=1w>

- The inclusion of three funds identified by the WA government as assisting the development of the WA LNG export industry and fostering new downstream industrial gas consumption in the state: the \$180 million Investment Attraction Fund, the \$17 million New Industries Fund and the \$100 million Industrial Land Development Fund.

Table 7: Government of Western Australia fossil fuel assistance

	2022–23 Expenditure	Capital value/forward estimates
Coal	\$20,889,000	\$249,393,000
Gas/Oil	\$297,396,000	\$1,160,380,000
Various	\$1,798,000	\$15,492,000
Total	\$320,083,000	\$1,425,265,000
Wholly	\$56,872,000	\$418,098,000
Primarily	-	-
Partly	\$263,211,000	\$1,007,167,000
Total	\$320,083,000	\$1,425,265,000

Source: Government of Western Australia (2022) Budget Papers



ELECTRICITY SUPPLY

The majority of total project spending on fossil fuels in the WA budget relates to electricity provision via the state's publicly-owned power companies. A total of \$393 million has been allocated to building or upgrading gas and coal-fired power stations, with \$47.3 million to be spent in 2022–23.

Synergy

WA's major energy supplier, Synergy, is state-owned, and a large portion of its generation portfolio comprises coal, gas and liquid fuel.⁸⁷ The WA government has allocated over \$47 million towards upgrading and maintaining fossil fuel power stations in the state, which this analysis considers as wholly dedicated to fossil fuels. The Collie and Muja coal-fired power stations will receive a total of \$21 million for upkeep in 2022–23, part of a program of just under \$250 million in capital spending. Gas-fired power stations Cockburn and Pinjar are in line to receive a total of \$143 million in capital spending, with \$26.4 million in 2022–23.

⁸⁷ Synergy (2022) *Power stations*, <https://www.synergy.net.au/About-us/Who-we-are/What-we-do/Electricity-generation/Power-stations>

Public expenditure on these fossil fuel power stations has increased by \$8.2 million, or 21% compared with 2021-22.

While the WA government has committed to phasing out coal-fired electricity generation in the state, doing so is predicted to result in much greater utilisation of gas-fired generators due to a lack of grid-connected renewable energy generation coming online in the state. AEMO forecasts that this will lead to dramatically increased gas demand for electricity generation on the South West Interconnected System, from 127 TJ/day in 2023 to 304 TJ/day in 2032 (a 140% increase).⁸⁸

PORTS

There is significant public expenditure in WA on ports and associated infrastructure to support the offshore oil and gas industry, and also to handle fossil fuel imports and exports. The main ports involved are managed by the state-owned Fremantle, Kimberly and Pilbara port authorities. The 2022–23 budget includes capital expenditure of \$141 million and operational subsidies that at least partly benefit the oil and gas sector, as part of a total capital expenditure program of over \$357 million identified in the budget papers.

Fremantle Port Authority

Fremantle Port's "principal bulk cargo" is petroleum products, with liquid bulk accounting for 48% of its imports and 8% of its exports.⁸⁹ In the 2022–23 budget, the Port's Kwinana Bulk Terminal and Bulk Jetty (in the port's outer harbour) received over \$33 million for a range of infrastructure works, including equipment and electrical upgrades, concreting and asset replacement works, with a total cost of over \$78 million.⁹⁰ As the terminal and jetty are not used exclusively by the oil and gas industry, this funding was considered partly dedicated to the fossil fuel industry. (Further funding for the port's inner harbour, which mostly supports container shipping, was not included.)

Kimberly Port Authority

Broome Port, operated by the Kimberly Port Authority, supports offshore oil and gas operations and exports in north WA.⁹¹ In 2022–23, the port received \$5 million towards a new Marine Supply Base, set to service the region's growing oil and gas, agriculture, and

⁸⁸ AEMO (2022) *WA Gas statement Of Opportunities*, https://aemo.com.au/-/media/files/gas/national_planning_and_forecasting/wa_gsoo/2022/2022-wa-gas-statement-of-opportunities.pdf?la=en

⁸⁹ Fremantle Port (2022) *Annual Report 2022*, p 40 <https://www.fremantleports.com.au/publications>

⁹⁰ Government of Western Australia (2022) *2022-23 Budget Statement, Budget Paper No. 2 – Volume 2*, p 245, <https://www.ourstatebudget.wa.gov.au/2022-23/budget-papers/bp2/2022-23-wa-state-budget-bp2-vol2.pdf>

⁹¹ Kimberly Port Authority (2020) *Port of Broome history*, <https://www.kimberleyports.wa.gov.au/about-port-of-broome/port-of-broome-history>

cargo industries”⁹² It is estimated that the base will cost a further \$40 million in capital spending over the next three years. The funding for the port is considered partly dedicated to fossil fuels, as the port and supply base will be also used by other industries.

In addition to the supply base, the port received \$7 million in 2022–23 for the construction of a common-user chemical supply facility for production chemicals used in the oil and gas industry. This funding was considered wholly dedicated to the fossil fuel industry.

Pilbara Port Authority

The Pilbara Port Authority encompasses the ports of Ashburton, Dampier and Port Hedland, all of which are large bulk exporters.⁹³ Port Dampier and Ashburton export 39% of Australia’s LNG.⁹⁴ Over \$90 million was committed to infrastructure works at the Dampier Port in 2022–23 as part of the \$195 million Dampier Cargo Wharf Extension project, which will accommodate vessels supporting the offshore oil and gas industry.⁹⁵ The WA government has identified marine fuel as a substantial market opportunity for the LNG industry and is supporting the development of LNG ship fuelling infrastructure in the Pilbara.⁹⁶ The Port of Ashburton accommodates LNG and other hydrocarbon-based processing, as well as natural gas processing for WA’s domestic gas supply.⁹⁷ The port received \$9 million in 2022–23 as part of the Burrup Port Infrastructure Subsidy, and \$3.7 million in 2022–23 for infrastructure construction projects, which are estimated to cost a total of \$32 million to complete. A further \$1.81 million was committed this year to the development of the Anketell Port and Strategic Industrial Area, which will partially benefit the oil and gas industry.⁹⁸

As other resource sectors make use of this infrastructure, this funding was classified as partially dedicated to the fossil fuel industry.

⁹² Kimberley Development Commission (2023) *Kimberley Marine Supply Base* <https://www.kdc.wa.gov.au/our-focus/projects/kimberley-marine-support-base/>

⁹³ Pilbara Port Authority (2020) *2020-21 Annual Report*, <https://www.pilbaraports.com.au/about-ppa/publications/annual-report>

⁹⁴ Pilbara Port Authority (2020) *2020-21 Annual Report*, p 11, <https://www.pilbaraports.com.au/about-ppa/publications/annual-report>

⁹⁵ Government of Western Australia (2022), *Western Australian State Budget 2022-23, Budget Paper Number 2, Volume 2*, P271 <https://www.ourstatebudget.wa.gov.au/2022-23/budget-papers/bp2/2022-23-wa-state-budget-bp2-vol2.pdf>

⁹⁶ Government of Western Australia (2021) *WA Domestic Gas Policy* <https://www.wa.gov.au/government/publications/wa-domestic-gas-policy>

⁹⁷ Pilbara Ports Authority (2022) *Port of Ashburton*, <https://www.pilbaraports.com.au/ports/port-of-ashburton>

⁹⁸ Development WA (2020) *Anketell Strategic Industrial Area* <https://developmentwa.com.au/documents/281-karan-2019-11-26-anketell-sia-project-summary/viewdocument/281>

DEPARTMENT OF JOBS, TOURISM, SCIENCE, AND INNOVATION

The Department of Jobs, Tourism, Science and Innovation (DJTSI) provides a range of functions and services that benefit the fossil fuel industry, directly and indirectly, in WA. These services have a significant focus on supporting the further development of the LNG export industry and fostering new gas-consuming industries in the state.

The DJTSI aims at “Facilitating Major Projects”, which involves “facilitat[ing] a range of complex major projects in areas ranging from mining and oil and gas through to agriculture and tourism.” Its annual report suggests that the majority of project facilitation is for projects in the resources and oil and gas sectors.⁹⁹ Examples of projects that the DJTSI has facilitated include:

- In 2022, the DJTSI worked with Woodside to negotiate and execute agreements to secure new domestic gas supply and local job opportunities from the Scarborough to Pluto Train 2 LNG development.¹⁰⁰
- In 2021–22, the DJTSI facilitated cross-government coordination to support the approvals process for APA Group’s Northern Goldfields Interconnect gas pipeline project, in order to “provide existing assets in the Goldfields region with access to natural gas and support future growth in the region”.¹⁰¹

The Project Facilitation service has a budget of \$35.3 million in 2022–23 and a total of \$90.4 million across the forward estimates. This has been classified as a partial subsidy to the oil and gas industry.

Under its International Engagement, Trade and Tourism function, the DJTSI operates 12 international offices in trading partner countries¹⁰² and conducts international engagement and outreach to promote and support trade in WA’s export commodities. Examples of this function include:

- Supporting a major trade mission to Japan and South Korea, which are the largest importers of LNG from WA. During this mission, Premier Mark McGowan

⁹⁹ Department of Jobs, Tourism, Science and Innovation (2022) *Annual Report 2021–22*
https://www.wa.gov.au/system/files/2022-10/2021-22_JTSI_Annual%20Report_WEB.pdf

¹⁰⁰ Ibid

¹⁰¹ Ibid

¹⁰² WA Government (2023) *Western Australian Investment and Trade global network contact details*,
<https://www.wa.gov.au/organisation/departments-of-jobs-tourism-science-and-innovation/western-australian-investment-and-trade-global-network-contact-details>

“reassured the bosses of Japan’s powerful trading houses that WA gas will continue to meet the country’s energy needs for decades”.¹⁰³

- Administering the Australia China Natural Gas Technology Partnership Trust Fund for the purpose of training Chinese managers from the natural gas industry in China, as well as joint Australia/China research programs. This is a controlled fund and figures are incorporated within the department's general financial statements.¹⁰⁴

The budget for International Engagement, Trade and Investment is typically around \$50 million per year,¹⁰⁵ with a total of \$209.4 million across the forward estimates. This has been classified as a partial subsidy to the oil and gas industry.

The DJTSI also administers several funds that are likely to assist the oil and gas industry. The following funds were identified by the WA government as key governmental responses to the *WA Gas and Downstream Opportunities Study*.¹⁰⁶

- The \$180 million Investment Attraction Fund, which aims to support “the State’s economic diversification priorities in sectors such as energy, mining and mining equipment, technology and services, defence industries, space industries, health and medical life sciences, primary industries, international education, and tourism, events and creative industries.”¹⁰⁷ This fund has a \$20 million budget in 2022-23.
- The \$100 million Industrial Land Development Fund, to which the publicly owned land development agency DevelopmentWA will contribute \$50 million from 2021–22 to 2025–26.¹⁰⁸ This contribution will come from DevelopmentWA’s total retained dividend of \$68.9 million; this dividend results from profits from the development and sale of government land, and would otherwise be provided back to the WA government as a revenue stream.

¹⁰³ Australian Financial Review (2023) *McGowan reassures Japan on WA gas supply*

<https://www.afr.com/world/asia/mcgowan-reassures-japan-on-wa-gas-supply-20230126-p5cfpz>

¹⁰⁴ Department of Jobs, Tourism, Science and Innovation (2022) *Annual Report 2021-22*

https://www.wa.gov.au/system/files/2022-10/2021-22_JTSI_Annual%20Report_WEB.pdf

¹⁰⁵ Calculations here are based on the 2021-22 budget figure to avoid the significant increase in budget that this function received to administer the Investment Attraction Fund. Total budget for 2022-23 was \$153.7 million mainly due to this fund.

¹⁰⁶ WA Government (2021) *Response to the WA Gas and Downstream Opportunities Study*,

[https://www.wa.gov.au/system/files/2021-](https://www.wa.gov.au/system/files/2021-08/Government%20Response%20to%20the%20Western%20Australian%20Gas%20and%20Downstream%20Opportunities%20Study%20-%20August%202021.pdf)

[08/Government%20Response%20to%20the%20Western%20Australian%20Gas%20and%20Downstream%20Opportunities%20Study%20-%20August%202021.pdf](https://www.wa.gov.au/system/files/2021-08/Government%20Response%20to%20the%20Western%20Australian%20Gas%20and%20Downstream%20Opportunities%20Study%20-%20August%202021.pdf)

¹⁰⁷ WA Government (2022) *Investment Attraction Fund*, <https://www.wa.gov.au/organisation/departments-of-jobs-tourism-science-and-innovation/investment-attraction-fund>

¹⁰⁸ Government of Western Australia (2022), *Western Australian State Budget 2022-23, Budget Paper Number 2, Volume 2*, P369 <https://www.ourstatebudget.wa.gov.au/2022-23/budget-papers/bp2/2022-23-wa-state-budget-bp2-vol2.pdf>

- The \$16.7 million New Industries Fund, to which \$4.7 million is allocated this year.

While no allocation for the Industrial Land Fund is apparent in the WA Budget Papers for 2022-23, it is likely to be active in projects like the 2021–22 lease of 130 hectares of industrial land at the Kwinana and Rockingham Strategic Industrial Areas (SIAs) for the development of Woodside’s \$1 billion H2Perth facility. This facility aims to use fossil gas to produce grey hydrogen and ammonia.¹⁰⁹ The land is leased to Woodside by the Industrial Lands Authority (ILA) (a function of DevelopmentWA), but no details on the lease arrangements are provided.

Other functions undertaken by the DJTSI that provide direct or indirect assistance for gas production and use in WA include:

- Implementing recommendations of the *WA Gas and Downstream Opportunities Study*, which investigated opportunities for—and barriers to—establishing new downstream gas processing industries in WA. The recommendations focus on “ensuring gas availability, developing project-ready land and common-user infrastructure, and increasing project facilitation support to foster new downstream gas-consuming industries”.¹¹⁰
- Administration of the WA Domestic Gas Policy to ensure gas is available for economic and industrial development in the state. “Implementation of the WA Domestic Gas Policy, including execution of future Domestic Gas Commitment Agreements, will continue to secure Western Australia’s long-term energy needs and support economic and industrial development.”¹¹¹
- Supporting the Future Energy Exports Cooperative Research Centre (CRC), which includes “supporting Western Australia to become a leading global hydrogen exporter”.¹¹² (See further detail below.)

OTHER SUPPORTIVE SPENDING AND ASSISTANCE

The WA government funds a range of projects that subsidise oil and gas production, transportation, consumption, and export infrastructure. These include:

- The Gorgon Gas Carbon Dioxide Injection Project, which is owned by multinational oil giant Chevron and is one of the world’s largest LNG projects. It is also one of the

¹⁰⁹ Government of Western Australia (2022), DevelopmentWA Annual Report 2021-22
<https://developmentwa.com.au/news/publications>

¹¹⁰ Ibid

¹¹¹ Department of Jobs, Tourism, Science and Innovation (2022) Annual Report 2021-22
https://www.wa.gov.au/system/files/2022-10/2021-22_JTSI_Annual%20Report_WEB.pdf

¹¹² Ibid

largest drivers of Australia's recent emission increases.¹¹³ The Project is located off the northwest coast of WA and extracts approximately 15.6 Mt of LNG a year. It includes a CCS operation, which was constructed in 2018 with a \$60 million subsidy from the Federal Government but faces ongoing performance issues.¹¹⁴ For reasons that are not detailed in the budget papers, the Gorgon CCS project will receive \$100,000 from the state budget in 2022–23.

- The Dampier-to-Bunbury pipeline, Australia's longest gas pipeline, which runs 1600 km from Dampier to Bunbury and transports around 700 TJ to 800 TJ of gas a day.¹¹⁵ Although the pipeline is privately owned, the budget allocates \$3.8 million in 2022–23 for the purchase of land to widen the pipeline corridor.¹¹⁶
- The Future Energy Exports Cooperative Research Centre, which provides support for the LNG industry with research, education and training¹¹⁷ and is committed to “supporting Western Australia to become a leading global hydrogen exporter”.¹¹⁸ With the support of the Federal Government, the centre is planning to establish the LNG Futures Facility: a 10-tonne-per-day LNG plant to be based at Kwinana. In the budget, the Centre received \$1.2 million in 2022–23, as part of a total allocation of \$7 million that is considered wholly dedicated to LNG.
- The Centre for Decommissioning Australia, which works with governments and industry to assist the offshore oil and gas industry to meet its decommissioning liabilities. This year the WA government allocated a \$5 million grant to the Centre to develop the state's offshore oil and gas decommissioning industry.¹¹⁹

¹¹³ Saddler (2018) *National Energy Emissions Audit – October 2018*, <https://australiainstitute.org.au/report/national-energy-emissions-audit-october-2018/>; Government of Western Australia (n.d.) *Gorgon carbon dioxide project*, <https://www.dmp.wa.gov.au/Petroleum/Gorgon-CO2-injection-project-1600.aspx>

¹¹⁴ Swann (2018) *Gorgon-tuan Problem*, <https://australiainstitute.org.au/report/gorgon-tuan-problem/>

¹¹⁵ Australian Gas Infrastructure Group (n.d) *About DBP*, <https://www.dbp.net.au/about-dbp/>; Australian Gas Infrastructure Group (n.d) *Dampier Bunbury Pipeline*, <https://www.agig.com.au/the-pipeline>

¹¹⁶ Government of Western Australia (n.d) *Dampier to Bunbury pipeline*, <https://www.dplh.wa.gov.au/projects-and-initiatives/dampier-to-bunbury-pipeline>

¹¹⁷ Andrews (2020) *Investing in Australia's mining and energy future*, <https://www.minister.industry.gov.au/ministers/karenandrews/media-releases/investing-australias-mining-and-energy-future>

¹¹⁸ Department of Jobs, Tourism, Science and Innovation (2022) *Annual Report 2021-22* https://www.wa.gov.au/system/files/2022-10/2021-22_JTSI_Annual%20Report_WEB.pdf

¹¹⁹ Government of Western Australia (2022) *Media Statements: \$1.3 billion to diversify WA and set up our State for the long-term* <https://www.mediastatements.wa.gov.au/Pages/McGowan/2022/05/1-3-billion-dollars-to-diversify-WA-and-set-up-our-State-for-the-long-term.aspx>

Northern Territory

Last year's edition of this report covered the range of controversial subsidies to the Northern Territory ("NT") gas industry for which the Morrison government budgeted. The 2022 NT Budget was delivered just days before the Federal Election, but then-Chief Minister and Treasurer Michael Gunner seemed to have little doubt that the federal fossil fuel subsidies would survive the election regardless of the result:

The Commonwealth will invest \$2.6 billion in infrastructure projects across the Territory, transforming it into an industrial hub for next generation exports. The projects include ... low emissions LNG and clean hydrogen production at Darwin, together with associated carbon capture and storage infrastructure.¹²⁰

How Territorians feel about their part of the country being transformed into an industrial hub is unclear. The Albanese government, however, seems largely supportive of the Morrison-era subsidies to the NT gas industry.

While the Territory's onshore gas industry is only in its early stages, Darwin hosts processing facilities for several offshore LNG export projects, which look set to benefit from new shipping facilities funded by Territory and federal governments. The largest component of the estimates of the NT's fossil fuel subsidies, however, relates to the NT government-owned Power and Water Corporation (PWC), which has committed billions to the Blacktip gas project in the Bonaparte Gulf near Wadeye and the Northern Gas Pipeline from Tennant Creek to Mt Isa in Queensland.

Table 8: NT government 2022-23 fossil fuel subsidies

NT budget fossil fuel assistance	2022-23 expenditure	Total/forward estimates
Wholly	\$37,582,000	\$ 3,490,519,000
Primarily	\$104,582,000	(Included in federal section)
Partly	\$185,487,000	\$102,628,000
Total	\$327,651,000	\$3,593,147,000
Coal	-	-
Oil and gas	\$327,651,000	\$3,593,147,000
Various	-	-
Total	\$327,651,000	\$3,593,147,000

Sources: Budget Papers, Power and Water Corp annual reports

¹²⁰ NT Government (2022) Budget Paper 2, p66

COMMONWEALTH COLLABORATION

The Commonwealth subsidises gas industry infrastructure, including an export precinct, other shipping facilities that benefit the offshore gas industry, and funding roads to facilitate onshore gas extraction.

Middle Arm Sustainable Development Precinct

The Morrison government's March 2022 Budget included a \$7.1 billion Energy Security and Regional Development Plan, which was to "turbocharge" the economies of regional hubs—including an NT industrial hub.¹²¹ Despite the Albanese government claiming to have "redirected" this money following a "Spending Audit", the October federal budget includes the following:

\$1.9 billion in equity investment for the development of the Middle Arm Sustainable Development Precinct in the Northern Territory, including common use marine infrastructure and regional logistic hubs.¹²²

The Middle Arm Development was described originally as a "new gas demand centre",¹²³ but after the plan was criticised by environmentalists, NT Chief Minister Natasha Fyles claimed in November 2022 that the development "is not a petrochemical plant".¹²⁴ This extraordinary claim was contradicted by many of the NT government's websites and other promotional materials. Recent documents obtained by the ABC show that NT government staff were instructed to try to remove the word "petrochemicals" from official material.¹²⁵

The \$1.9 billion figure is included in the Federal Government section. The NT government budgeted to spend \$12 million on business case development and preliminary works, included in this year's NT budget figures.¹²⁶

¹²¹ Federal Government (2022) *March Budget Paper 2*, p133

¹²² Federal Government (2022) *October Budget Paper 2*, p163

¹²³ Gibson (2022) *Business case for Middle Arm Sustainable Development Precinct triggers climate concerns from critics*, <https://www.abc.net.au/news/2022-12-29/nt-middle-arm-sustainable-development-precinct-climate-concerns/101809178>

¹²⁴ Walsh (2022) 'Factually wrong': Fyles says no petrochemical plant for Middle Arm: govt website contradicts her, *NT Independent*, <https://ntindependent.com.au/factually-wrong-fyles-says-no-petrochemical-plant-at-middle-arm-govt-website-contradicts-her/>

¹²⁵ Gibson (2023) *Emails confirm staff in NT chief minister's department deleted references to 'petrochemicals' from Middle Arm websites*, <https://www.abc.net.au/news/2023-04-06/middle-arm-nt-petrochemicals-term-deletion-chief-minister-staff/102157920>

¹²⁶ Note that Budget Paper 1, Treasurer's speech, mentions \$14 million to "fast-track the early works at Middle Arm (p6)," however only \$12 million appears clearly related to this in the other budget papers.

Darwin ship lift

The NT government, in conjunction with the Federal Government's Northern Australia Infrastructure Facility, is building ship maintenance facilities that will partly benefit the oil and gas industry:

The Territory has entered into a loan facility agreement with the Northern Australia Infrastructure Facility (NAIF) to borrow \$300 million for the Darwin ship lift and marine infrastructure project. The project is estimated at \$400 million and will enable the maintenance and servicing of Defence and Australian Border Force vessels, along with commercial and private vessels, including from the oil, gas and marine industries.¹²⁷

Budget papers state that \$160.9 million will be spent on the ship lift project in 2022–23. This has been included in Table 9 above in 2022–23 spending partly attributable to fossil fuel industries. The NAIF's \$300 million contribution is included in the Federal Government section.

There are other plans related to the ship lift, including one for a Marine Industry Park, which "provides a unique opportunity to capitalise on Darwin's expanding gas, marine services and Defence industries."¹²⁸ The Marine Industry Park is budgeted to receive just over \$3 million in this budget, largely via the NT government's Land Development Corporation.

Gas roads

The Morrison government planned to subsidise onshore gas by funding the NT Gas Industry Road Upgrades, with a total cost of \$217 million. Of this total, \$173.6 million was to come from the Federal Government, and the remainder from the NT government. This plan seems unaffected by the change of government—the NT Budget Papers expect \$104.1 million to be spent on gas industry roads this budget, and note that funding is also provided by the Federal Government. The total cost of \$217 million and the 2022–23 spending are both included in the Federal Government section, not in Table 9 above.

POWER AND WATER CORPORATION

The largest item in Table 9 above is the purchase agreement that the state-owned Power and Water Corporation ("PWC") has in place to purchase gas from the Blacktip project,

¹²⁷ NT Government (2022) Budget Paper 2, p94

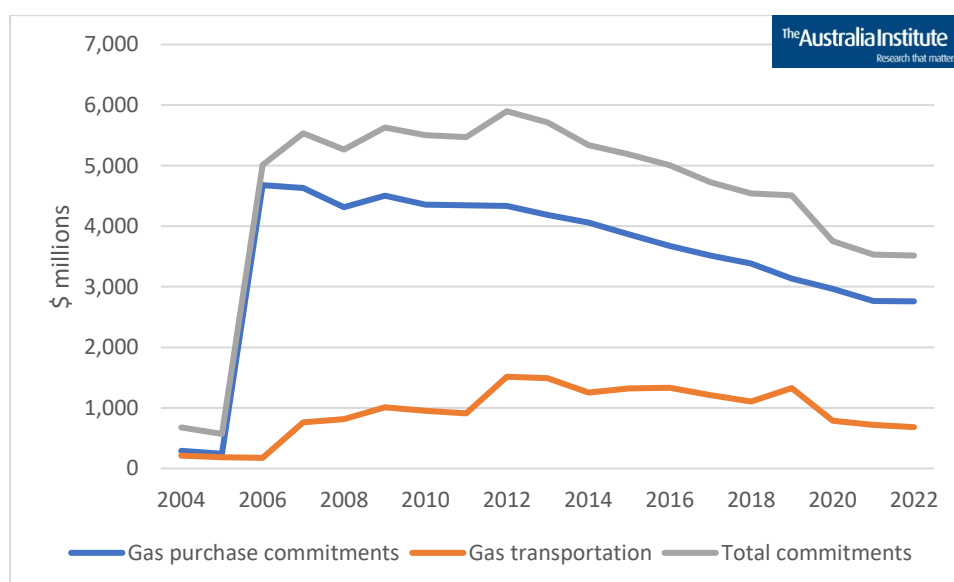
¹²⁸ NT Land Development Corporation (2023) *Marine Industry Park*, <https://landdevcorp.com.au/project/marine-industry-park/>

which is located off Wadeye in the Bonaparte Gulf and owned by Italy-based oil company Eni. As highlighted in the NT budget papers:

A financial risk to the Territory budget is Power and Water Corporation's long-term gas purchase, sales and transportation agreement. The fixed price nature of the contracts, volatility of the market price of gas, uncertainty in relation to both pricing and volume from as yet unsecured sales contracts are risks to the Corporation's ability to sell the gas at a competitive price.¹²⁹

The PWC's multi-billion dollar commitment to gas purchases from Blacktip was essential for the project's development, but resulted in the procurement of far more gas than the Territory needs. The latest of the PWC's annual reports shows that this commitment has declined to \$2.76 billion in purchase commitments and \$680 million in gas transport commitments in 2022–23, as shown in Figure 8 below:

Figure 8: Power and Water Corporation gas commitments



Source: PWC annual reports

Figure 8 shows that gas commitments are largely unchanged from last year, partly due to unexpected reductions in supply from the Blacktip Project. The reductions in supply reduced the PWC's gas sales by some \$25 million¹³⁰ and saw the PWC take legal action against the operators, Eni.¹³¹ This is somewhat ironic as the problem with the Blacktip Project has traditionally been not a lack of gas, but too much of it. This was clear to PWC and NT

¹²⁹ NT Government (2022) *Budget Paper 2*, p84

¹³⁰ PWC (2022) Annual Report, p57

¹³¹ Fitzgerald (2022) *NT's Blacktip gas field production drops, forcing shutdown of Northern Gas Pipeline*, <https://www.abc.net.au/news/2022-10-22/blacktip-gas-field-production-problems-power-and-water/101555526>

government decision-makers at the time the agreement with Eni was made, with the NT Utilities Commission noting in 2006:

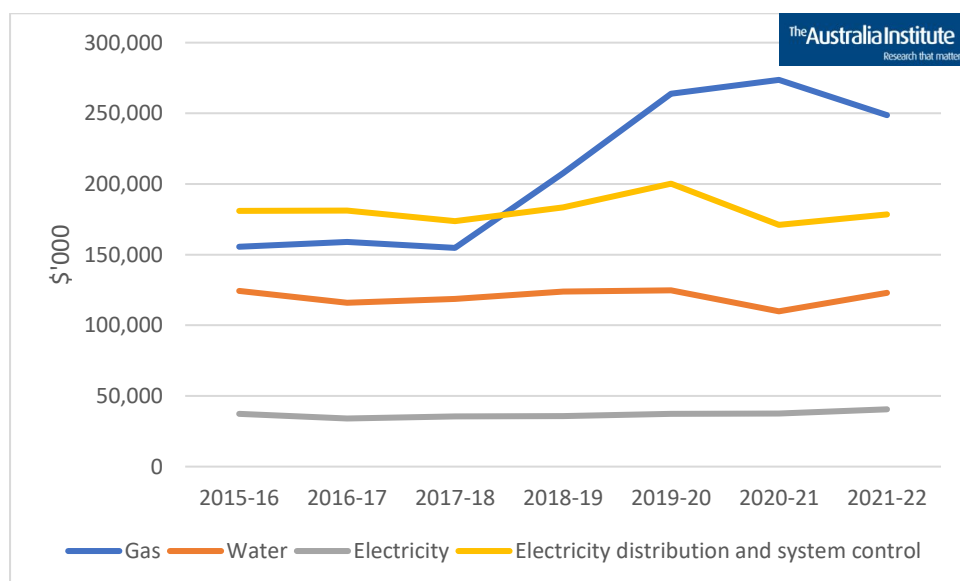
Contract quantities available from Blacktip will be in excess of projected requirements under the Commission’s high growth scenario through to 2015–16 and beyond.¹³²

NT taxpayers paid for large quantities of gas that they could not use or sell—or, as the PWC puts it:

The current gas contracts relating to the sale and purchase of gas have resulted in Power and Water previously paying for gas that will be delivered in future years.¹³³

While a detailed estimate is beyond the scope of this report, the loss on take-or-pay agreements with Blacktip was estimated at a total of \$375 million by a prominent supporter of the gas industry, former NT News Business Editor Ashley Manicaros.¹³⁴ With the similarly-subsidised Northern Gas Pipeline now in operation, the PWC is able to sell Blacktip gas to buyers in Queensland. This saw the PWC’s gas sales increase by over \$100 million in two years, as shown in Figure 9 below:

Figure 9: PWC sales revenue, selected streams



Source: PWC annual reports

¹³² NT Utilities Commission (2006) *Annual power system review December 2006*, https://utilicom.nt.gov.au/__data/assets/pdf_file/0008/743039/2006_PSR_final.pdf

¹³³ PWC (2021) *Annual report*, p9, <https://www.powerwater.com.au/about/what-we-do/our-plans-and-values/past-corporate-reports>

¹³⁴ Manicaros (2017) *Business Confidential*, NT News 3 May 2017, page 15. This column does not appear to be on the NT News site. The Australia Institute has a copy and also has personal correspondence with Mr Manicaros regarding this figure.

As shown in Figure 9, the NT government-owned PWC now collects over \$240 million per year in gas sales revenue. In 2019–20 the PWC’s gas sales area posted a net profit for the first time, contributing to the Corporation’s overall \$176 million profit.

However, the good times did not last long: the PWC made an “unbudgeted” \$29 million loss in 2020–21 due to “a number of factors including lower than expected revenue results in gas of \$39 million...”:

The revenue side of our operations has however been disappointing. A shortfall in gas sales through new contracts not materialising has been largely responsible, however we are optimistic these sales will eventuate to further strengthen Power and Water’s financial performance.¹³⁵

The PWC’s gas business does not only represent a cost to the NT taxpayer and a subsidy to a multinational fossil fuel company; it also presents the NT government with a major conflict of interest. The NT government cannot impartially assess controversial gas projects when it owns a gas supplier of this size. Moreover, renewable energy projects now present a “risk” to NT government revenue, as is clear in PWC reports:

The corporation has in place long term contracts to procure gas and associated transport charges. The fixed price nature of the long term gas contracts; the volatility in the market price of gas; the pricing and volume risk from as yet unsecured contracts or contracts currently under negotiation; increasing competition in the gas supply market; and more recently the potential impact from the displacement of gas by renewables over time are risks to the corporation’s ability to sell the gas at a price higher than the cost of gas and transport.¹³⁶

The unexpected revenue loss by the PWC’s gas sales division of \$25 million has been included in Table 9 as a cost in this budget year. As the gas sales team is financially marginal, this likely approximates the loss made by that part of the business. The total outstanding gas purchase and gas transport commitments—over \$3.4 billion—are included as the total/capital value of the long-term assistance provided to gas production and sales by these commitments.

CHIEF MINISTER AND CABINET

Parts of the Department of the NT’s Chief Minister and Cabinet promote and assist the gas industry. The Advice and Coordination group appears to play an active role in facilitating

¹³⁵ PWC (2021) *Annual report*, p6, <https://www.powerwater.com.au/about/what-we-do/our-plans-and-values/past-corporate-reports>

¹³⁶ PWC (2022) *Annual report*, p58, <https://www.powerwater.com.au/about/what-we-do/our-plans-and-values/past-corporate-reports>

onshore gas development, and its budget of \$9.3 million for 2022–23 has thus been considered as partly attributable to assisting the fossil fuel industry.

Investment Territory is a part of the Department of Chief Minister and Cabinet, charged with facilitating “major projects and significant investments in the Territory”. As part of its remit, Investment Territory “lead[s] the coordination and delivery of the Territory’s gas strategy and development of a gas-based manufacturing industry.”¹³⁷ This year’s budget papers do not break down Investment Territory’s \$22.1 million budget, but in past years a budget of \$5 million per year has been allocated to the Territory’s “Gas Taskforce”, which “drives the NT government’s vision for the Territory to become a world-class hub for gas production, manufacturing and services by 2030”.¹³⁸ The Gas Taskforce appears to have been subsumed into Investment Territory, or at least within Chief Minister and Cabinet, based on its contact email. A figure of \$5 million has been included in Table 9 above as wholly attributable to the export gas industry.

PORT AND INDUSTRIAL PRECINCT DEVELOPMENTS

In addition to the Darwin ship lift, a wider Marine Industry Park is being developed, partly because Darwin is “Adjacent to major onshore gas developments and offshore supply bases, the Marine Industry Park provides a unique opportunity to capitalise on Darwin’s expanding gas, marine services and Defence industries.”¹³⁹

LAND DEVELOPMENT CORPORATION

The NT government’s Land Development Corporation has budgeted \$2.7 million in 2022-23 for the development of the Middle Arm and the Marine Industry Park.

MINES AND ENERGY

The Department of Industry, Tourism and Trade’s Mines and Energy group includes two programs that subsidise the gas industry.

The Resource Industry Development Services program has a budget of \$14.4 million this budget year. This appears to include the \$9.5 million-per-year “Resourcing the Territory” exploration initiative, which provides “geoscience, investment attraction and exploration

¹³⁷ NT Government (2022) Budget Paper 3, p16

¹³⁸ NT Government (2022) *Our Territory Gas Strategy*, <https://territorygas.nt.gov.au/connect/contact>

¹³⁹ Land Development Corporation (2023) *Marine Industry Park*, <https://landdevcorp.com.au/project/marine-industry-park/>

stimulus programs”,¹⁴⁰ including to gas exploration. This program follows the earlier program, “Creating Opportunities for Resource Exploration”, which provided \$2 million per year to the onshore gas industry.¹⁴¹ Table 9 assumes that this \$2 million annual subsidy to onshore gas continues under Resourcing the Territory, wholly dedicated to the gas industry.

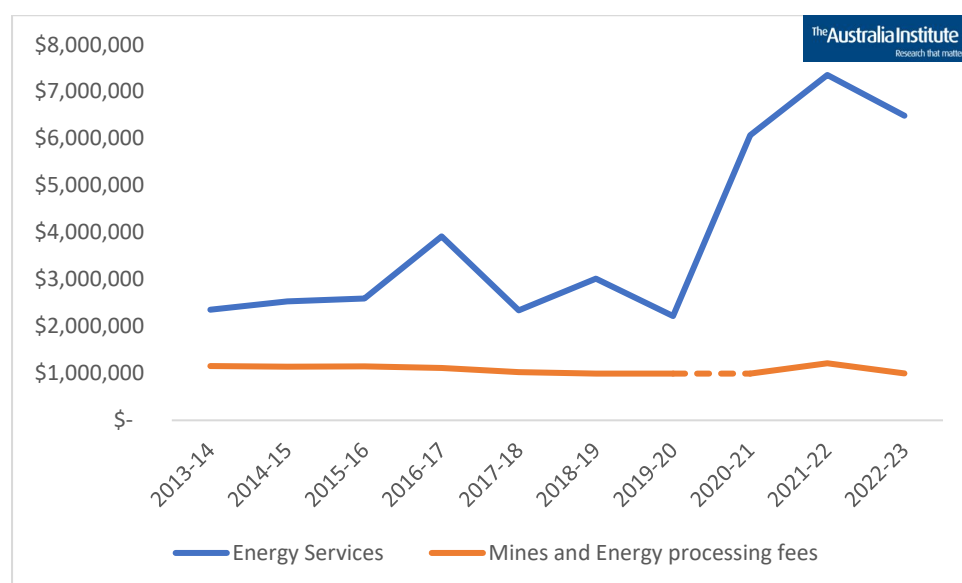
The Energy Development program, meanwhile, works to:

...advance the Territory’s economic development and energy security through administration of exploration applications and permits, licences, resource management, operational approvals and regulatory activities, including monitoring and compliance under the Petroleum Act 1984 and Energy Pipelines Act 1981.¹⁴²

A recommendation of the NT government’s 2018 Fracking Inquiry was that the expense of this program should be recovered from gas companies. The NT government committed to implement all recommendations of the Fracking Inquiry, but five years later, under-recovery of the Energy Development program’s costs continues. Table 9 includes this estimated \$5.5 million gap in cost recovery as an annual, wholly-devoted subsidy to the export gas industry.

The Fracking Inquiry coincided with the beginning of a major increase in the budget of this program, as shown in Figure 10 below:

Figure 10: Energy Services/Energy Development budget



Source: NT Budget papers, various years

¹⁴⁰ Resourcing the Territory (2020) *About Resourcing the Territory*, <https://resourcingtheterritory.nt.gov.au/about>

¹⁴¹ Resourcing the Territory (2019) *Previous initiatives*, <https://resourcingtheterritory.nt.gov.au/about/previous-initiatives>

¹⁴² NT Government (2023) Budget Paper 3, p97

As shown in Figure 10 above, the budget for Energy Services—now re-named Energy Development has tripled in recent years—with no justification given. Revenue from applications, licence and title fees has now been renamed “Mines and energy processing fees (licences/titles)”, and appears to have maintained at broadly similar levels, with just over \$1 million budgeted in 2022–23. Only a fraction of this revenue is likely to come from the gas industry; the majority is likely to come from the mining industry.

Victoria

Victoria's fossil fuel industry comprises predominantly brown coal mines and power stations in the Gippsland region. The state is engaged in long-term oil operations, and in 2021, onshore gas exploration recommenced after a nine-year moratorium was lifted.¹⁴³

On the positive side, a fracking ban was introduced in March 2021, and in July 2022 the Victorian government released its *Gas Substitution Roadmap*, which aims to reduce fossil gas use (although hydrogen blending with fossil gas is being considered).¹⁴⁴

The long-running pilot phase of the Hydrogen Energy Supply Chain (HESC) Project was completed in early 2022.¹⁴⁵ The project was established to extract hydrogen from brown coal in the Latrobe Valley for export to Japan. The project initially received an estimated total of \$496 million in funding from state, federal, and foreign sources—but no further funding is apparent in the Victorian government's 2022–23 budget papers, and the project may fold.¹⁴⁶

Table 10: Victorian government 2022–23 fossil fuel subsidies

Victorian budget fossil fuel assistance	2022-23 expenditure	Capital values/forward estimates
Wholly	-	-
Primarily	\$1,000,000	\$4,000,000
Partly	\$69,400,000	\$277,600,000
Total	\$70,400,000	\$281,600,000
Coal	-	-
Gas	-	-
Various	\$70,400,000	\$281,600,000
Total	\$70,400,000	\$281,600,000

Source: VIC Government (2022) *Budget Papers 2022–23*

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¹⁴³ Earth Resources (2021) *Restart of onshore conventional gas industry in Victoria*, <https://earthresources.vic.gov.au/projects/onshore-conventional-gas-restart>

¹⁴⁴ Department of Environment, Land, Water and Planning (2022) *Gas Substitution Roadmap*, <https://engage.vic.gov.au/download/document/27751>

¹⁴⁵ Hydrogen Energy Supply Chain Project (2023) *About the Project*, <https://www.hydrogenenergysupplychain.com/about-hesc/>

¹⁴⁶ Hannam (2023) *Japanese-funded \$500m project to extract hydrogen from Victorian coal is at risk, sources say*, <https://www.theguardian.com/australia-news/2023/apr/11/japanese-funded-500m-project-to-extract-hydrogen-from-victorian-coal-is-at-risk-sources-say>

RESOURCES OUTPUTS

The largest fossil fuel-related item in the Victorian budget is “Resources Outputs”, which is part of the Department of Jobs, Precincts and Regions. It includes funding for the CarbonNet project, along with industry geoscience data packages for petroleum, minerals, and extractives.

CarbonNet is a carbon capture and storage network project in Gippsland. It was established in 2010 as part of the Federal Government’s Carbon Storage Taskforce and National Low Emissions Coal Initiative. This initiative identified the Gippsland Basin as the most appropriate choice for a long-term carbon storage project in Victoria, due to technical requirements; the region’s close proximity to major coalfields, electricity generators, and industrial processors; and its proximity to suitable offshore and onshore storage sites: “[Victoria’s] largest sources of CO₂ are all located within a 15km radius... [the site] offers an opportunity for shared infrastructure and a multi-user CCS network”.¹⁴⁷

CarbonNet has remained non-operational for over a decade. Stage Three of the project was reportedly completed following the drilling of an offshore appraisal well in 2019–20 at the Pelican site in Bass Strait.¹⁴⁸ As of the first quarter of 2023, the project is in the Front End Engineering Design (FEED) phase and is seeking environmental regulatory approvals.

The project site claims to have the capacity to store five million tonnes (Mt) of CO₂ per year for 25 years. Even if this proves accurate, that figure represents a fraction of the emissions from Victoria’s coal-fired generators Loy Yang, Loy Yang B and Yallourn: in 2020, these generators emitted a combined 39.5 Mt CO₂-equivalent, representing 47.4% of Victoria’s total greenhouse gas emissions.¹⁴⁹

Resources Outputs is likely to provide some benefit to Victoria’s petroleum exploration activities. On issue are 11 onshore production licenses and 10 exploration permits.¹⁵⁰

¹⁴⁷ Global CCS Institute (2015) *The CarbonNet Project: A Historical Perspective*, p. 9, <https://www.globalccsinstitute.com/archive/hub/publications/155928/carbonnet-project-historical-perspective.pdf>

¹⁴⁸ Earth Resources (2022b) *About the project*, <https://earthresources.vic.gov.au/projects/carbonnet-project/about-the-project>

¹⁴⁹ Department of Environment, Land, Water and Planning (2020) *Victorian Greenhouse Gas Emissions Report 2020*, p. 21, https://www.climatechange.vic.gov.au/__data/assets/pdf_file/0036/598257/Victorian-Greenhouse-Gas-Emissions-Report-2020.pdf

¹⁵⁰ Department of Jobs, Precincts and Regions (2022) *Earth Resources Regulation Annual Statistical Report: FY 2021–22*, p. 31, https://earthresources.vic.gov.au/__data/assets/pdf_file/0011/908273/Earth-Resources-Regulation-Statistical-Report-2021-2022.pdf

Exploration activities continue in the offshore state waters of the Otway Basin¹⁵¹ and the offshore federal waters of the Otway and Gippsland Basins.¹⁵²

Resources Output is an ongoing program with \$69.4 million budgeted in 2022-23, dedicated partly to fossil fuels.

LAND TAX EXEMPTION FOR MINING

Owners of land that is used exclusively as a mine receive a tax exemption in Victoria. This reduces government revenue and disincentivises the transition away from fossil fuel production. The exemption covers all mining licences and any land in the Latrobe Valley covered by the *Electricity Industry (Residual Provisions) Act 1993*,¹⁵³ which includes the state's brown coal mines and power stations. The land tax exemption for mining is therefore classified as primarily dedicated to fossil fuels and has been allocated \$1 million in the 2022–23 budget, with an additional \$3 million over the next three years.

¹⁵¹ Department of Jobs, Precincts and Regions (2020) *Oil and gas acreage releases*, <https://earthresources.vic.gov.au/geology-exploration/industry-investment/tenders-and-acreage-releases/oil-and-gas-acreage-releases>

¹⁵² Department of Industry (2022) *2021 offshore petroleum exploration acreage release* | Department of Industry, Science and Resources, <https://www.industry.gov.au/publications/2021-offshore-petroleum-exploration-acreage-release>

¹⁵³ State Revenue Office (2023) *Land tax exemptions*, <https://www.sro.vic.gov.au/land-tax/land-tax-exemptions#mines>

South Australia

South Australia (SA) has long been a leader in renewable energy generation, and has committed to achieve net 100% renewable electricity by 2030. Currently, around 50% of the state's electricity generation is renewable; the other half comes from gas.¹⁵⁴ SA no longer has any coal-fired power stations, so its fossil fuel sector is largely the oil and gas industry. Assistance from the state government centres on infrastructure upgrades and industry advocacy.

Despite SA moving toward renewable energy, gas corporations and lobby groups such as Santos and the Australian Petroleum Production and Exploration Association (APPEA) still have significant influence in the state. For example, the 2023 APPEA Conference will be held in Adelaide, with a personal welcome from SA Premier Peter Malinauskas.¹⁵⁵

Table 11: Government of South Australia 2022-23 fossil fuel subsidies

SA budget fossil fuel assistance	2022-23 expenditure	Capital values/forward estimates
Wholly	\$16,225,000	\$60,447,000
Primarily	492,000	\$633,000
Partly	\$26,854,000	\$98,684,000
Total	\$43,571,000	\$159,764,000
Coal	\$0	\$0
Gas/oil	\$23,461,000	\$97,824,000
Various	\$20,110,000	\$61,940,000
Total	\$43,571,000	\$159,764,000

Source: Government of South Australia (2022) Budget Papers 2022-23

PORT BONYTHON

Jetty Refurbishment

Port Bonython is the site of a gas and diesel importation and distribution hub. The site's jetty is leased by the SA government to Santos, which uses it to export LPG, crude oil and

¹⁵⁴ Australian Government (2021) *Australian Energy Update 2021*,
<https://www.energy.gov.au/publications/australian-energy-update-2021>

¹⁵⁵ APPEA (2023) *Invitation from the Premier of South Australia*,
<https://www.appeaconference.com.au/conference/message-from-the-premier-of-sa/>

naphtha. The proposed expenditure in the 2022–23 budget was \$16,225,000, with the estimated total cost at \$60,447,000, an increase of \$3 million over the 2021–22 estimate.¹⁵⁶

Port Bonython is also a part of SA’s potential hydrogen export plans, which are described below. While those plans are largely focused on renewable energy, they are also the subject of interest from fossil fuel companies such as Santos and Origin.¹⁵⁷ In a 2021 media release, Santos CEO Kevin Gallagher announced Santos’ intentions to use Port Bonython for a speculative CCS scheme that would involve Japanese and Korean customers shipping carbon dioxide to Australia for underground storage.¹⁵⁸

Hydrogen at Port Bonython

The SA government is investing \$30 million in the creation of a hydrogen hub at Port Bonython.¹⁵⁹ Fossil fuel-based hydrogen appears set to be a part of the project, and companies shortlisted for involvement include gas companies Santos and Origin Energy.¹⁶⁰

The SA Department of Treasury and Finance is providing \$940,000 in 2022–23 for “land acquisition costs associated with the Port Bonython Hydrogen Hub project”.¹⁶¹ A 2021–22 budget outcome was the shortlisting of domestic and international companies for the “long-term lease of land at Port Bonython to produce hydrogen products for export”, with the goal for the 2022–23 budget being to “finalis[e] the state’s expression of interest and negotiation of contractual arrangements for the long-term lease of the state’s land and coordinating initiatives including infrastructure planning, land agreements, approvals, case management, and stakeholder engagement.”¹⁶²

It is unclear the extent to which these initiatives will cross over with the proposed SA Hydrogen Power Plant near Whyalla, which is being managed by the new Office of Hydrogen Power South Australia.¹⁶³ This project has a budget of \$593 million, with \$50 million

¹⁵⁶ Government of SA (2022) Budget Paper 3 p. 121, <https://www.statebudget.sa.gov.au/budget-papers>

¹⁵⁷ Parkinson (2022) *South Australia names partners to \$13 billion hydrogen hub as poll hangs in balance*, <https://reneweconomy.com.au/south-australia-names-partners-to-13-billion-hydrogen-hub-as-poll-hangs-in-balance/> See also: <https://research.csiro.au/hyresource/port-bonython-hydrogen-hub/>

¹⁵⁸ Santos (2021) *Santos welcomes CCS and hydrogen focus*, <https://www.santos.com/wp-content/uploads/2021/04/210421-Release-Santos-welcomes-CCS-and-hydrogen-focus.pdf>

¹⁵⁹ Government of South Australia (2022) Budget Paper 3, p. 5 and Budget Paper 1, p.11, <https://www.statebudget.sa.gov.au/budget-papers>

¹⁶⁰ Govt of SA (n.d.) <https://www.energymining.sa.gov.au/industry/modern-energy/hydrogen-in-south-australia/port-bonython-export-hub>

¹⁶¹ Government of South Australia (2022) Mid-Year Budget Review, p.42, <https://www.statebudget.sa.gov.au/budget-papers>

¹⁶² Government of South Australia (2022) Budget Paper 4, Volume 4, pp: 148-9, <https://www.statebudget.sa.gov.au/budget-papers>

¹⁶³ Government of South Australian (2022) *About the project*, <https://www.ohpsa.sa.gov.au/about-the-project>

budgeted for 2022–23. Although there is some discussion of hydrogen-fossil gas blending, most material in relation to the Hydrogen Power Plant specifies renewable hydrogen, so this expenditure is not included in our analysis.

DEPARTMENT OF ENERGY AND MINING

Energy Resources Subprogram

The Mineral Resources and Energy agency situated within the Department of Energy and Mining is responsible for regulating, managing and supporting the development of South Australia’s mineral, petroleum and renewable energy assets.¹⁶⁴ To this end, the agency oversees a range of subprograms that assist the gas and oil sectors in South Australia. The agency’s ongoing budget (\$10.1 million in 2022-23) has been included as partly supporting fossil fuel industries.¹⁶⁵

As part of this subprogram, the Roundtable for Energy Resources in South Australia—formerly the South Australia Roundtable for Oil and Gas¹⁶⁶—will provide guidance and “stewardship” for this subprogram¹⁶⁷. This Roundtable has several fossil fuel companies as members, including Santos, Origin, the APPEA, Cooper Energy, and Beach Energy.¹⁶⁸

Electricity and Gas Technical and Safety Regulation subprogram

This ongoing subprogram was allocated \$5.8 million in the 2022–23 budget. It partly assists the gas industry through the development of biogas and hydrogen as a fuel, without a specific commitment to green hydrogen.¹⁶⁹

¹⁶⁴ Government of South Australian (2021) Budget Paper 4, Volume 2, p 107, <https://www.statebudget.sa.gov.au/budget-papers>

¹⁶⁵ Government of South Australia (2022) Budget Paper 4, Volume 2, pp: 112-13, <https://www.statebudget.sa.gov.au/budget-papers>

¹⁶⁶ Govt. of South Australia (n.d.) Energy and Mining, About the Roundtable, <https://www.energymining.sa.gov.au/industry/energy-resources/roundtable/about-the-roundtable>

¹⁶⁷ Government of South Australia (2022) Budget Paper 4, Volume 2, pp: 112-13, <https://www.statebudget.sa.gov.au/budget-papers>

¹⁶⁸ https://www.energymining.sa.gov.au/__data/assets/pdf_file/0009/696249/20230131-Roundtable-for-Ener~Resources-Organisation-List.pdf

¹⁶⁹ Government of South Australian (2022) Budget Paper 4, Volume 2, p 116 <https://www.statebudget.sa.gov.au/budget-papers>

HyLogger 4 and Raman Spectroscopy

The HyLogger 4 and Raman Spectroscopy spectral geoscience technology will allow for “improved identification of geological samples, [and] support increased private mineral and energy exploration expenditure and services to the oil and gas industry, as well as attract more financial investment in South Australia”.¹⁷⁰ The 2022–23 budget allocated a total of \$633,000 with a line payment of \$492,000.¹⁷¹ The Hylogger 4 technology is primarily devoted to supporting fossil fuel industries.¹⁷²

Hylogger drilling programs include the Plan for Accelerating Exploration (PACE) Gas grant¹⁷³ program-supported drillholes in SA.¹⁷⁴

¹⁷⁰ Government of South Australia (2021) Budget Paper 5 p35 <https://www.statebudget.sa.gov.au/budget-papers>

¹⁷¹ Government of South Australian (2022) Budget Paper 4, Volume 2, p 108
<https://www.statebudget.sa.gov.au/budget-papers>

¹⁷² Government of South Australia (2021) Budget Paper 5 p35 <https://www.statebudget.sa.gov.au/budget-papers>

¹⁷³ <https://www.energymining.sa.gov.au/industry/energy-resources/industry-activity/pace-gas-grants>

¹⁷⁴ https://www.energymining.sa.gov.au/industry/geological-survey/mesa-journal/previous_news/news-articles-2021/spectral_geoscience

New South Wales

New South Wales (NSW) is the second largest coal-producing state in Australia, behind Queensland. The state has 40 operating coal mines that produce around 236 million tonnes of raw coal per year, mainly in the Hunter Valley, but also around Mudgee, Gunnedah, Wollongong, and Lithgow.¹⁷⁵ The gas industry is relatively small, although the controversial Narrabri Gas Project could see NSW gas production increase significantly.

In 2022–23, the NSW government spent approximately \$45 million on fossil fuel subsidies, with total budgeted assistance estimated at \$178 million, as shown in Table 12 below.

Table 9: NSW government 2022-23 fossil fuel subsidies

NSW budget fossil fuel assistance	2022-23 Expenditure	Capital values/forward estimates
Coal	\$40,559,000	\$169,070,000
Gas/oil	-	-
Various	\$4,639,000	\$9,300,000
Total	\$45,198,000	\$178,370,000
Wholly	\$6,059,000	\$64,770,000
Primarily	-	-
Partly	\$39,139,000	\$113,600,000
Total	\$45,198,000	\$178,370,000

Source: NSW Government (2022) *Budget Papers*

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The estimates in Table 12 are a significant reduction from the \$91.6 million budgeted in 2021–22, and on that year's forward estimates of \$328.9 million. The difference is largely due to the gas-fired Tallawarra Power Station now being nearly complete and not mentioned in the budget.

DEPARTMENT OF REGIONAL NSW

The Department of Regional NSW (DRNSW) oversees various programs and functions that benefit the state's coal industry:

¹⁷⁵ Coal Services (2021) *Statistics*, <https://www.coalservices.com.au/mining/statistics-2/>

- The “Regional NSW Cluster” has a key outcome described in the 2022–23 NSW budget as “Mineral and petroleum industries generating prosperity, safely”.¹⁷⁶ Related investment was estimated at \$200 million in 2022–23, although much is not related to fossil fuels. Items that likely assist fossil fuel industries include:
 - \$24.5 million (\$76.3 million over four years) allocated to the “remediation of high-risk legacy mine sites”, which includes coal sites in the Lower Hunter.¹⁷⁷ This is categorised as partly assisting the coal industry.
 - \$10.0 million (\$28.5 over four years) for geoscience and scientific advice that benefits mining companies. This is categorised as partly assisting the coal industry.
- DRNSW’s Mining, Exploration and Geoscience (MEG) program exists “to support and grow responsible mining and exploration across regional NSW”, and “to make NSW the preferred investment destination for exploration and mining”. The MEG program is also responsible for the Minerals and Petroleum Investment Fund, “the object of which is to promote investment in State minerals or petroleum (or both)”. In 2022, the fund spent a total of \$4.6 million with a closing balance of \$9.3 million.¹⁷⁸ These were categorised as partly assisting various fossil fuel industries.

COAL INNOVATION NSW

The NSW Coal Innovation Fund “aims to deliver low emissions coal technologies that can reduce future coal mining emissions and continue the responsible development of NSW’s coal resources”.¹⁷⁹ The fund spent \$6.1 million in the 2021–22 financial year (the most recent data available) and had a closing balance of \$64.8 million.¹⁸⁰ These funds are considered wholly attributable to the coal industry.

¹⁷⁶ The NSW Government (2022) *NSW Budget 2022-23 Budget Paper No.02 Outcomes Statement*, p. 7-11, <https://www.budget.nsw.gov.au/budget-papers#bp2>

¹⁷⁷ The NSW Government (2021) *NSW Budget 2021-22 Regional NSW*, p. 21, <https://www.budget.nsw.gov.au/budget-papers>

¹⁷⁸ The NSW Government (2022) *Department of Regional NSW Annual Report 2021 -2022*, see p. 22, 81 and 201, <https://www.nsw.gov.au/departments-and-agencies/departments-of-regional-nsw/access-information/annual-reports>

¹⁷⁹ The NSW Government (2022) *Coal Innovation NSW Fund annual report 2021–22*, p.1, <https://meg.resourcesregulator.nsw.gov.au/sites/default/files/2022-12/coal-innovation-fund-nsw-annual-report-2021-2022.pdf>

¹⁸⁰ The NSW Government (2022) *Coal Innovation NSW Fund annual report 2021–22*, p.24, <https://meg.resourcesregulator.nsw.gov.au/sites/default/files/2022-12/coal-innovation-fund-nsw-annual-report-2021-2022.pdf>

Tasmania

The Tasmanian state budget does not include any clear subsidies for fossil fuel production or use. This is not unexpected, given that the state reached 100% renewable net electricity generation in 2020,¹⁸¹ and has a legislated target to generate 200% of its 2022 electricity consumption with renewables by 2040.¹⁸² These achievements are built on Tasmania's long-established, and often controversial, hydroelectricity scheme, along with more recent contributions from onshore wind farms.

However, Tasmania is not without fossil fuel production and use.¹⁸³ The gas-fired Tamar Valley Power Station contributed 0.9% of Tasmania's electricity generation in 2021–22,¹⁸⁴ and Tasmania is connected to the National Electricity Market via the Basslink interconnector, which facilitates the export of Tasmanian renewable energy as well as imports of fossil fuel-generated electricity. Fossil fuels are also the primary source of energy for transport, agriculture and industrial sectors in Tasmania.¹⁸⁵

Tasmania has one active coal mining enterprise, Cornwall Coal Company Pty Ltd., which operates in the state's northeast. It supplies coal to cement, steel and agriculture operations within the state.¹⁸⁶ It also supplies the Norske Skog Paper Mill with coal for its boiler. The Federal Budget includes \$2.1 million for a feasibility study to replace this boiler with a less polluting alternative.¹⁸⁷

¹⁸¹ Renewables, Climate and Future Industries (n.d.) *100% target achievement*, https://recfit.tas.gov.au/renewables/100_target_achievement

¹⁸² *Energy Co-ordination and Planning Act 1995*, Part 1A, s 3C, 2 (b).

¹⁸³ Department of Climate Change, Energy, the Environment and Water (2022) *Australian Energy Update 2022*, <https://www.energy.gov.au/sites/default/files/Australian%20Energy%20Statistics%202022%20Energy%20Update%20Report.pdf>, p 20.

¹⁸⁴ Tasmanian Economic Regulator (2022) *Energy in Tasmania - Annual Energy Security Review 2021-22*, <https://www.economicregulator.tas.gov.au/Documents/22%202525%20%20Annual%20Energy%20Security%20Review%202021-22.pdf>, p 9.

¹⁸⁵ Department of Climate Change, Energy, the Environment and Water (2022) *Australian Energy Update 2022*, <https://www.energy.gov.au/sites/default/files/Australian%20Energy%20Statistics%202022%20Energy%20Update%20Report.pdf>, p 20.

¹⁸⁶ Barnes and McCoull (2022) *The Cornwall Coal Company Pty Ltd, Blackwood 1 Redevelopment, Blackwood Colliery, Cornwall Project Description*, <https://epa.tas.gov.au/Documents/The%20Cornwall%20Coal%20Company%20Pty%20Ltd%2c%20Blackwood%201%20Redevelopment%2c%20Blackwood%20Colliery%2c%20Cornwall%20-%20Project%20Description.pdf>

¹⁸⁷ Commonwealth Government (2022) Budget Paper 2: Budget Measures, p155.

Resources Policy and Regulatory Services

The only items that could potentially assist fossil fuel projects in the Tasmanian Budget are under Mineral Resources Tasmania (MRT). MRT is the regulatory body concerned with mineral exploration and mining development. Government support for MRT will assist in “providing enhanced services and information to the sector”.¹⁸⁸ Funding for MRT to support resource identification, mineral exploration and infrastructure development has the potential to assist fossil fuel extraction but is unlikely to directly benefit existing or prospective projects. MRT receives \$200,000 in 2022–23, and \$800,000 over four years.¹⁸⁹

Output Group 4.2., Mineral Resources, “facilitates mineral exploration and mining development and fosters and encourages responsible land management in Tasmania... [and improves] the quality and quantity of geoscience information, essential to the encouragement of mineral exploration”.¹⁹⁰ Mineral Resources is allocated \$9.5 million in 2022-23, and \$27 million over three years.¹⁹¹

¹⁸⁸ Ibid, p 270.

¹⁸⁹ Tasmanian Government (2022) *Tasmanian Budget 2022-23 no. 2 Volume 1*, <https://www.treasury.tas.gov.au/Documents/2022-23-Budget-Paper-No-2-Volume-1.pdf>, p 267.

¹⁹⁰ Ibid, p 282.

¹⁹¹ Ibid, p 274.

Australian Capital Territory

The ACT does not produce any coal, gas or oil, nor is it home to any major consumers of fossil fuel. Its 2022–23 budget does not contain any measures that could be considered fossil fuel subsidies. That budget contains ambitious targets for transitioning away from dependence on fossil fuels towards a zero-emissions future.

The ACT's electricity system has been described as 100% renewable since 2019, with the ACT government having contracted renewable generation equivalent to the Territory's electricity consumption.¹⁹² The government further aims to phase out gas in favour of electrification by 2045 at the latest.¹⁹³ Emissions in the ACT are now 45% below 1990 levels.¹⁹⁴

The 2022–23 ACT budget implements a range of measures that aim to grow renewable energy and further reduce emissions. These include:

- Continuing the \$150 million Sustainable Household Scheme, which incentivises ACT homeowners to make their homes more energy efficient and assists with the upfront costs of household solar and battery storage;
- Continuing the implementation of the Vulnerable Household Energy Support Scheme to support community housing providers, eligible private rental providers, and community housing providers to install insulation and to transition away from gas-based appliances;
- The Zero Emissions Vehicles Strategy 2022–23, which will implements a range of measures to transition the ACT away from fossil-fueled vehicles; and
- Beginning the procurement processes for the Big Canberra Battery, which aims to facilitate further renewable electricity use and reduce the ACT's use of fossil fuel-generated electricity from the wider NSW grid.

¹⁹² See for discussion of the ACT's electricity policy and 100% target see Cass (2019) *Class ACT: How the Australian Capital Territory became a global energy leader*, <https://australiainstitute.org.au/report/class-act-how-the-australian-capital-territory-became-a-global-energy-leader/> and Evans (2019) *ACT has '100 per cent renewable' electricity from today. But what does that mean?*, <https://www.abc.net.au/news/2019-10-01/act-is-100-per-cent-renewable-but-what-does-that-mean/11560356>

¹⁹³ ACT Government (2023) *Our Pathway to Electrification*, <https://energy.act.gov.au/>

¹⁹⁴ ACT Government (2022) *Budget Outlook*, p. 89

https://www.treasury.act.gov.au/__data/assets/pdf_file/0014/2051303/2022-23-Budget-Outlook.pdf

Conclusion

The Labor party's victory in the 2022 election came after almost a decade of delayed climate action and generous fossil fuel subsidies from the Coalition government. The election also saw both Greens and climate-focused independent candidates perform well, via campaigns underpinned by climate and integrity.

Hopefully, this means that the Australian public is more attuned than ever to the dangers of inaction on climate. Australia's governments should see that pumping money into fossil fuels is not a winning strategy.

At face value, a comparison of this year's analysis with last year's gives the impression that the tide is turning on governments subsidising fossil fuels, given that the total amount of fossil fuel subsidies in 2022–23 is half a billion dollars less than in the equivalent figure for 2021–22. However, a closer look at the results reveals a different story. While this year's subsidies are lower, committed subsidies over forward estimates are higher than ever. Australian federal and state governments are promising to spend \$57.1 billion on fossil fuel subsidies over the next four years—\$2 billion *more* than last year.

The 2020s are the critical decade for phasing out fossil fuels, and instead, Australia is throwing billions of dollars to the industry. The main culprit is all too familiar: the Fuel Tax Credit has well and truly bounced back from its pandemic/war dip, and this year's \$7.76 billion commitment makes up 70% of all 2022–23 fossil fuel subsidies.

Beyond the Fuel Tax Credit, however, conclusions are less clear. Declining spending on coal suggests a loss of social licence and/or changing economics. Despite some changes, the Coalition government's gas-fired recovery narrative has remained at the heart of energy policy. Major gas projects like the Middle Arm Sustainable Development Precinct and Kurri Kurri Power Station are receiving huge handouts from the Federal Government. State governments, by contrast, seem to be reducing spending of their fossil fuel assets—except for Western Australia.

The expert advice is simple: we must phase out fossil fuels as quickly as possible if global warming is to stay below 2°C. With Labor governments across the mainland, and influence from the Greens and independents in most parliaments, governments now have an opportunity to walk the walk instead of just talking the talk, and stop subsidising fossil fuels once and for all.