

Gas industry claims debunked

Tax payment claims in context

War in Ukraine has seen oil and gas export revenue out of Australia increase from \$40 billion in 2020-21 to \$107 billion in 2022-23. Lobby group forecasts of \$17 billion in 2023-24 payments to government should be considered in this context.

Rod Campbell, May 2024

Oil and gas lobby group Australian Energy Producers (AEP) has published a media release claiming “record” government payments, with “industry expected to pay \$17.1 billion in taxes in 2023-24”.¹ This briefing note provides context for the AEP claim, and makes other criticisms such as the conflation of royalties and taxes and the unreliability of lobby group data.

CONTEXT - WAR AND ENERGY PRICES

AEP’s media release makes no mention of why its members’ payments to government are higher than previous years. The reason is that the Russia-Ukraine war has lifted energy prices dramatically. AEP members exported \$107 billion worth of oil and gas in 2022-23, \$87 billion in 2021-22, and are forecast to bring in \$73 billion in 2023-24.²

Prior to the Ukraine war, oil and gas export revenue was \$40 billion in 2020-21. The subsequent doubling, near tripling, of oil and gas export revenue is driven almost entirely by price increases, with minimal change in production or processing. Previous Australia Institute research estimated that the war resulted in up to \$40 billion of additional, unearned oil and gas industry profits each year.³ Taxing such “windfall”

¹ AEP (2024) *Australian oil and gas sector delivers record contribution to government revenues in 2023-24*, https://energyproducers.au/all_news/australian-oil-and-gas-sector-delivers-record-contribution-to-government-revenues-in-2023-24/

² DISER (2024) *Resources & Energy Quarterly: March 2024*, <https://www.industry.gov.au/publications/resources-and-energy-quarterly>

³ Ogge (2022) *War gains: LNG Windfall Profits 2022*, <https://australiainstitute.org.au/report/war-gains-lng-windfall-profits-2022/>

profits at higher rates has been described as a “no-brainer” by Nobel Prize winning economist, Joseph Stiglitz.⁴

Prior to the Ukraine war, the oil and gas industry paid on average \$2.6 billion in company tax in Australia each year, substantially less than the \$9.5 billion that Australia’s school teachers pay each year in personal income tax.⁵ All of this needs to be seen in the context of total government revenue – the Australian governments raised \$756 billion in taxation revenue 2022-23.⁶ At best, AER’s claimed \$17 billion in payments represent just 2% of this. However, even this is an overstatement as it conflates royalties and taxes.

CONFLATING ROYALTIES AND TAXES

AEP’s \$17.1 billion figure consists of \$12.8 billion in company tax, \$1.1 billion in Petroleum Resource Rent Tax (PRRT), \$2.6 billion in ‘excise, royalties and fees’ and \$0.7 billion in ‘all other taxes’. It is important to note that royalties are not a tax, but “a purchase price for petroleum resources owned by the community”.⁷ AEP’s presentation of royalties as a tax payment is like a builder claiming the cost of bricks as a tax payment.

UNVERIFIED DATA

It is also worth noting that AEP’s claim is based on a survey of its members, not official data from the Australian Tax Office (ATO), which has only been published to 2020-21.⁸ Comparing AEP survey-derived tax estimates with ATO data, over the four years to 2020-21, AEP’s estimates overstate taxes paid by an average of 53%.⁹

⁴ Karp (2022) *Nobel prize-winning economist Joseph Stiglitz calls for windfall profits tax in Australia*, <https://www.theguardian.com/australia-news/2022/jul/19/nobel-prize-winning-economist-joseph-stiglitz-calls-for-windfall-profits-tax-in-australia>

⁵ Grudnoff (2024) *Teachers pay more tax than the oil and gas industry*, <https://australiainstitute.org.au/post/teachers-pay-more-tax-than-the-oil-and-gas-industry/>

⁶ ABS (2024) *Taxation Revenue, Australia*, <https://www.abs.gov.au/statistics/economy/government/taxation-revenue-australia/latest-release>

⁷ WA Government (2023) *Petroleum Royalties*, <http://www.dmp.wa.gov.au/Petroleum/Royalties-1578.aspx?busselect=8>

⁸ ATO (2023) *Taxation Statistics, Company, Table 4A*, https://data.gov.au/data/dataset/taxation-statistics-2020-21/resource/bf9cbddb-cecf-49eb-92ba-40cbca58c76c?inner_span=True

⁹ Author calculations based on ATO Taxation statistics and APPEA (2022) *APPEA Oil and Gas Industry Financial Survey: Results from 1987-88 to 2020-21*, <https://www.appea.com.au/wp-content/uploads/2022/12/Historical-Summary-2020-21.pdf>