

The oil and gas industry in South Australia

Oil and gas extraction in South Australia employs just 833 people, 0.1% of SA jobs. Petroleum royalties make up 0.4% of the state budget. On oil and gas production worth \$1.7 billion in 2021-22, the industry paid at most \$99 million in federal tax, of which Santos paid zero. Despite this, the industry has significant influence in the state.

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INTRODUCTION

The oil and gas industry in South Australia is centred on the Cooper Basin in the northeast of the state. This is where almost all production occurs, although there is also some in the Otway Basin in the southeast, which extends over the border into Victoria.¹ There have also been proposals for major developments for offshore oil and gas production in the Great Australian Bight.²

The oil and gas industry in South Australia is dominated by the company that was originally called South Australia Northern Territory Oil Search, now known by its acronym, Santos.³ Other companies involved in the SA oil and gas industry include Beach Energy and Cooper Energy.

¹ SA Government (2022) *Energy Resources: Production and statistics*, <https://www.energymining.sa.gov.au/industry/energy-resources/data-centre/production-and-statistics>

² Campbell and Gilchrist (2016) *Oil in the Great Australian Bight*, <https://australiainstitute.org.au/report/oil-in-the-great-australian-bight/>

³ Santos (n.d.) *Our story*, <https://www.santos.com/about-us/our-story/>

The oil and gas industry is powerful in South Australia. In 2023, the state hosted the national industry lobby group conference where Minister for Energy and Mining, Tom Koutsantonis, told the conference that the “South Australian Government is at your disposal, we are here to help, and we are here to offer you a pathway to the future.”⁴

In response to protests at this conference, the SA Government rushed anti-protest laws through the Parliament.⁵ The changes increased maximum fines for some protest activities from \$750 to \$50,000, along with potential jail time.

As the largest oil and gas company in the state, Santos is particularly influential. Its CEO, Kevin Gallagher, was named as the most powerful person in South Australia, in The Adelaide Advertiser’s Power Rankings for 2023.⁶ The Premier, Peter Malinauskas, came in third.

The reason for this influence is unclear. It cannot be the role that the oil and gas industry plays in the state economy, because it provides few jobs, pays little in royalties or taxes and receives significant public subsidies.

JOBS

The oil and gas industry in South Australia is not a large employer. The most recent ABS data, for the quarter ending in February 2024, showed that 833 people were employed in oil and gas extraction in South Australia.⁷ This represents 0.1% of total employment in South Australia. To put it another way, for every 1,000 workers in South Australia, 999 do not work in oil and gas extraction.

⁴ Kurlmelovs (2023) *South Australia tells gas industry the state is ‘at your disposal’*, The Guardian, https://www.theguardian.com/environment/2023/may/16/south-australia-gas-industry-appea-national-conference-2023?trk=public_post_comment-text

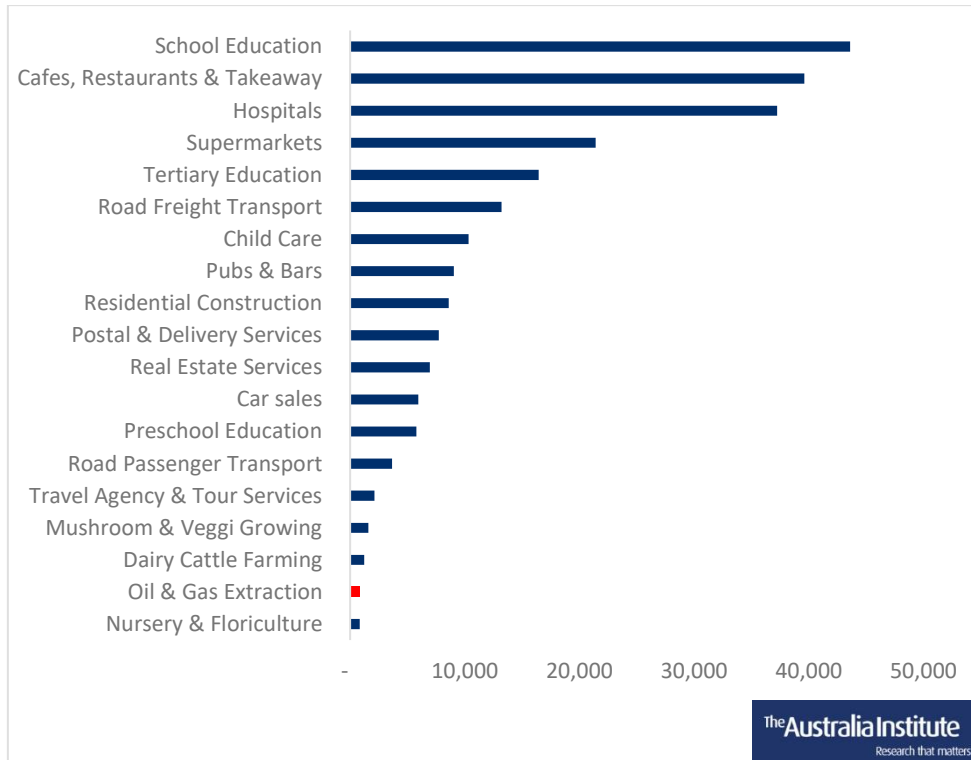
⁵ Australian Associated Press (2023) *South Australia passes laws to crack down on protest after disruption of oil and gas conference*, The Guardian, <https://www.theguardian.com/australia-news/2023/may/31/south-australia-passes-laws-to-crack-down-on-protest-after-disruption-of-oil-and-gas-conference>

⁶ England, McGuire & Starick (2023) ‘Power 50: South Australia’s most influential people of 2023 ranked’ *The Advertiser*, <https://www.adelaidenow.com.au/news/south-australia/power-50-adelaides-most-influential-people-of-2023-ranked/news-story/940b6525dc4695f3027d713e46d83d04#:~:text=The%20prospect%20of%20profound%20economic,Mead%20into%20the%20top%2010.>

⁷ ABS (2024) *Labour Force, Australia, Detailed*, EQ06, <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/apr-2024#data-downloads>

Figure 1 shows schools, food outlets, and hospitals are large employers in South Australia. Oil and gas extraction employs a smaller number of workers than mushroom and vegetable growing, dairy farming, and a similar number to nursery and floriculture.

Figure 1: SA Employment in selected industries, oil & gas highlighted in red



Source: ABS (2024) *Labour Force, Australia, Detailed, EQ06*,
<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/apr-2024#data-downloads>

PUBLIC REVENUE

Royalties

The main way that resource companies contribute to public revenue at a state level is through royalty payments. Because petroleum resources are owned by the public, royalties are paid by companies to compensate the community for the acquisition of the resource. This is not a tax, but the purchase price of the resource. It is similar to a builder paying for bricks to build a building, or a baker buying flour to bake bread.

SA Petroleum royalties for 2022–23 were \$106.3 million, 0.4% of the State Government’s \$27 billion in revenue.⁸ In other words, for every \$1,000 in the SA state budget, the state’s oil and gas industry paid just \$4. This was lower than the previous year (\$142.5 million) but almost exactly the annual average between 2012-13 and 2021-22.⁹ The state budget did not separate petroleum royalties from other mineral royalties in the 2024 Budget, but noted that an increase in expected royalty revenue was “partially offset by lower production estimates for petroleum royalties.”¹⁰

The SA Government raises more revenue from motor vehicle registration fees (\$577 million), the Emergency Services Levy (\$202 million), fines and penalties (\$220 million), and SA Lotteries (\$116 million).¹¹ At the risk of repetition – more state government services in South Australia are funded by the lottery than by royalties from the oil and gas industry.

Federal tax

The Australian Tax Office (ATO) publishes data on the income and tax payable by major companies in Australia, including the main oil and gas companies operating in South Australia. These results for the latest year available, 2021-22, are summarised in Table 1 below:

Table 1: ATO data on main oil and gas companies operating in SA, 2021-22

	Total income (\$m)	Taxable income (\$m)	Tax payable (\$m)
Santos Ltd	4,746	74	0
Beach Energy	1,608	332	99
Cooper Energy	206	0	0
Total	6,560	406	99

Source: ATO (2023) *Corporate Tax Transparency: 2021-22 Report of Entity Tax Information*, <https://data.gov.au/data/dataset/corporate-transparency>

Table 1 shows that these companies made total income of almost \$6.6 billion, while only Beach Energy was required to pay corporate income tax of \$99 million. It is

⁸ SA Government (2023) *Budget Paper 3*, Table 3.2 and p 105.

<https://www.statebudget.sa.gov.au/budget-papers>

⁹ SA Government (n.d.) *South Australia petroleum royalty receipts*, Department of Energy and Mining,

<https://sarigbasis.pir.sa.gov.au/WebtopEw/ws/plans/sarig1/image/DDD/204224-046>

¹⁰ SA Government (2024) *2024-25 State Budget, Budget Paper 3*, p50,

https://www.statebudget.sa.gov.au/__data/assets/pdf_file/0003/1014375/2024-25-Budget-Statement.pdf

¹¹ *Ibid*, various pages and tables.

important to note that this data does not refer specifically to South Australian operations of these companies. This data includes operations elsewhere:

- Data for Santos Limited appears to include South Australian operations as well as Santos' operations in Queensland and New South Wales. This data does not include Santos' northern Australian offshore operations and operations between Australia and Timor Leste, or the Darwin LNG terminal.
- Data for Beach Energy includes its Victorian and Western Australian operations. According to its company reports, around two thirds of Beach Energy's production is from SA.¹²
- Data for Cooper Energy includes its Victorian operations.

In 2021-22, total SA petroleum sales reached \$1,694 million.¹³ ATO data shows that, at best, SA oil and gas production resulted in \$99 million in federal tax payments in that year.

PUBLIC SUBSIDIES

The oil and gas industry in South Australia also receives funding from the South Australian Government. In 2023-24 this included:

- \$21 million for ongoing refurbishment of Port Bonython petroleum export and import facilities.
- \$10 million to support "exploration of South Australian basins to make new discoveries".¹⁴

Further public subsidy could be received by SA oil and gas producers via the Moomba Carbon Capture and Storage (CCS) project, led by Santos in joint venture with Beach Energy. Santos pushed for CCS as a method eligible for funding from the Emissions

¹² Calculated from Beach Energy (2024) *FY24 Third Quarter Activities Report*,

https://beachenergy.com.au/wp-content/uploads/BPT_FY24_Third_Quarter_Activities_Report.pdf

¹³ SA Government (n.d.) *South Australia petroleum royalty receipts*, Department of Energy and Mining,

<https://sarigbasis.pir.sa.gov.au/WebtopEw/ws/plans/sarig1/image/DDD/204224-046>

¹⁴ SA Budget papers compiled in Campbell et al (2024) *Fossil fuel subsidies in Australia 2024*,

<https://australiainstitute.org.au/report/fossil-fuel-subsidies-in-australia-2024/>

Reduction Fund through a controversial process that excluded independent researchers.^{15,16}

CONCLUSION

The oil and gas industry's influence and social license in South Australia is outsized when compared to how much tax it pays and how many people it employs. This influence is even harder to understand given the environmentally damaging nature of the industry and the role Santos has played in increasing gas prices in eastern Australia.¹⁷ Governments and the SA public should understand that a phase out of fossil fuel production in the state will not have a significant effect on employment or the state budget.

¹⁵ Department of Climate Change, Energy, the Environment and Water (2021) *Emissions Reduction Fund to credit carbon capture and storage projects*, 1 October, [https://www.dcceew.gov.au/about/news/emissions-reduction-fund-to-credit-carbon-capture-and-storage-projects#:~:text=The%20Emissions%20Reduction%20Fund%20\(ERF,from%20hard%20to%20abate%20sectors](https://www.dcceew.gov.au/about/news/emissions-reduction-fund-to-credit-carbon-capture-and-storage-projects#:~:text=The%20Emissions%20Reduction%20Fund%20(ERF,from%20hard%20to%20abate%20sectors)

¹⁶ Ogge M et al. (2021) *Santos' CCS scam*, Australia Institute, <https://australiainstitute.org.au/report/santos-ccs-scam/>

¹⁷ Credit Suisse (2014) *Santos: The seven-year itch?*, no link currently available, copies available on request from The Australia Institute.