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Australia’s great gas giveaway

How Australia and the Northern Territory give gas to multinational corporations for free

Australian governments charge no royalties on 56% of the gas that is exported from Australia, which includes all the gas exported from the Northern Territory. Over the last four years, multinational companies made $149 billion exporting gas they got for free including $37 billion from the NT. If royalties had been charged on this gas, at least $13.3 billion ($3.4 billion from NT) in revenue could have been raised.

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The Australia Institute - Research that matters

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Acknowledgement of Country

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Contents

Summary

According to the Australian Government's Future Gas Strategy, gas is "critical" to the nation's economy. In view of this, many Australians might be surprised to learn that a large amount of the country's gas reserves are essentially being given away for free.

The wording of the Western Australian Government's fact sheet on petroleum resources exemplifies the way in which the country's resources are described to the public:

> Petroleum resources are owned by the community and a royalty is a purchase price for the resource. The community expects a fair return for the loss of its non-renewable petroleum resources.

This rhetoric does not reflect reality. While the community might expect a fair return for the loss of its resources, in many cases it gets no return at all, fair or otherwise.

Australia has ten facilities that export gas as liquified natural gas (LNG). Six of these projects—both of the Northern Territory's facilities and four of the five operating in Western Australia—pay no royalties, either state or federal. These facilities represent 56% of Australia's gas export capacity. This means that all the gas exported from the NT, and more than half the gas exported from Australia, is given for free to the companies exporting it.

The monetary value of this gas is enormous. The total value of LNG exports over the last four years is estimated at $265 billion Australia-wide, $37 billion of which was exported from the NT. All of the NT's LNG exports were royalty-free and Australia's royalty-free exports totalled $149 billion. To put this another way: in the last four years alone, Australians have given away the gas that made $149 billion worth of LNG, for free.

LNG exporters that did pay royalties (North West Shelf in WA and Queensland's three facilities) paid an estimated $10.4 billion over the last four years. This represents just 3.9% of the $265 billion total value of LNG exported and 9% of the $115 billion value of LNG sales that were based on royalty-paying gas. If the 9% rate had been applied to the royalty-free LNG facilities, an extra $13.3 billion in royalty revenue would have been raised, $3.4 billion of which could have been raised from the NT-based projects.

The only petroleum royalties collected by the NT Government are from Central Petroleum, which operates small oil and gas fields in the southwest corner of the Territory. Central Petroleum paid around $2.6 million in royalties in FY2023. For context, this represents 0.04% of the NT Government's $6.9 billion revenue for that year. Vehicle registration fees bring in $82 million per year for the NT Government, almost 32 times more than petroleum royalties.

While taxes are different from royalties, these companies also pay very little tax: indeed, the Australian Taxation Office (ATO) has labelled the oil and gas industry as a “systemic non-payer” of tax. No LNG projects have paid Petroleum Resource Rent Tax to date.

In 2020-21, individual corporations Woodside, Exxon, Shell, Chevron, Inpex and APLNG paid no tax at all on a collective $34 billion of income. Record prices in 2021–22 saw these companies’ income leap to $56.3 billion, on which just $454 million was paid in company tax.

For an international comparison, Qatar produces only 50% more oil and gas than Australia but receives six times more government revenue from its oil and gas industry. Norway exports more oil and less gas than Australia, but expects tax revenue from oil and gas to be a staggering A$127 billion in 2023 alone.

The billions of dollars in forgone revenue each year from effectively giving away Australian gas for free could be invested in a sovereign wealth fund (as it is in Norway) or used to raise productivity and increase living standards of Australians by funding schools, hospitals, renewable energy, and other needed public infrastructure.

The gas industry does not make a fair contribution to the community. The Australia Institute recommends:

- A comprehensive inquiry into the mismanagement of Australia’s gas resources;
- The application of a royalty to all gas produced in Australia.

Introduction

In May 2024, the Australian Government released its Future Gas Strategy, a 67-page document that makes no mention of royalties, tax, or revenue.[1] The Northern Territory (NT) Government has had a Gas Strategy since 2022 that also does not include the words "tax", "royalty" or "revenue".[2] The absence of these terms is surprising – until you realise how little the gas industry actually pays in tax or royalties, particularly on gas that is exported.

Before it can be exported by sea, fossil methane gas must be converted into a liquid, as occurs at Inpex and Santos' facilities on Darwin Harbour. This conversion reduces the volume of the gas enough to make storage and transport feasible. This conversion process is known as liquefaction, and the liquefied gas is referred to as liquified natural gas (LNG).

Along with the USA and Qatar, Australia is one of the world's largest LNG exporters. Australia's combined processing and export capacity is over 87 million tonnes of LNG per year, spread over ten LNG processing and export facilities (LNG facilities) located in Western Australia, the Northern Territory and Queensland.

No royalties are paid on the majority of this gas. Royalties are a payment collected by governments in return for the exploitation of the community's resources. Just as builders pay for the bricks they use and restaurants pay for food they sell, resource companies pay—or should pay—for the resources they extract and sell.

The NT Government explains that "petroleum royalties are payments made to the Territory as the owner of the resources",[3] while the WA Government explains:

> Petroleum resources are owned by the community and a royalty is a purchase price for the resource. The community expects a fair return for the loss of its non-renewable petroleum resources.[4]

These resources are indeed owned by the community, and they are managed by state and commonwealth governments on behalf of all Australians. Despite these sentiments, no royalties are collected on a large amount of Australia's gas production—both in NT and elsewhere. If a royalty is a purchase price, then gas on which no royalty is paid is essentially being given away for free.

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[1] Australian Government (2024) *Future Gas Strategy*, https://www.industry.gov.au/sites/default/files/2024-05/future-gas-strategy.pdf

[2] NT Government (2022) *Northern Territory Gas Strategy*, https://territorygas.nt.gov.au/gas-strategy/northern-territory-gas-strategy

[3] NT Government (2023) *Petroleum Royalty Act 2023 – Petroleum royalty overview*, https://treasury.nt.gov.au/__data/assets/word_doc/0008/481067/petroleum-royalty-act-2023-overview.DOCX

[4] Government of Western Australia, Department of Mines, Industry Regulation and Safety (2023) *Petroleum Royalties* http://www.dmp.wa.gov.au/Petroleum/Royalties-1578.aspx?busselect=8

Paying and not paying royalties

There are a range of royalty arrangements in place for Australia's gas industry, and indeed gas producers in the NT. The amount of royalties paid varies from facility to facility depending on where the gas is sourced from. Gas extracted from offshore fields in Commonwealth waters is the responsibility of the Commonwealth Government, while gas from onshore fields and state waters is handled by the state in question.

The only petroleum royalties collected by the NT Government are from Central Petroleum, which operates relatively small oil and gas fields in the southwest corner of the Territory. Central Petroleum paid around $2.6 million in royalties to the Northern Territory and Central Land Council in FY2023.[5] For context, this represents 0.04% of the NT Government's $6.9 billion revenue for that year.[6] Vehicle registration fees bring in $82 million per year for the NT Government, almost 32 times more than petroleum royalties.

As a general rule, the Federal government does not impose any royalties on the gas extracted by projects in its jurisdiction. There is one exception to this general rule: gas produced from the North West Shelf (NWS) fields off the northwest coast of Western Australia.

The NWS is treated differently to other gas projects because it was established much earlier, and because it received huge state government subsidies. In a 2017 report, the WA government described its role in funding and facilitating the project as "pivotal … massive and integral",[7] estimating that it has provided some $8 billion in subsidies, and suggesting that without this government support, the North West Shelf gas developments would not have gone ahead. The subsidisation of North West Shelf and subsequent revenue sharing arrangements remain a source of tension between the WA and Commonwealth Governments.

Table 1 below provides a summary of information on current LNG projects operating in Australia, including those in the NT. It shows that Australia's LNG exporters have a total production capacity of 89.4 million tonnes per annum (Mtpa), with 50.2 Mtpa (56%) supplied by royalty-free feed gas and 39.2 Mtpa (44%) supplied by feed gas on which some royalties are paid.

[5] Central petroleum (2023) *Annual Report 2023, Central Petroleum Limited*, https://centralpetroleum.com.au/wp-content/uploads/2023/09/CTP-2023-Annual-Report-ASX-FINAL.pdf

[6] NT Government (2024) *Budget Paper No. 2: budget strategy and outlook*, https://budget.nt.gov.au/papers

[7] WA Government (2017) *Western Australia's Submission to the Productivity Commission's Inquiry into Horizontal Fiscal Equalisation*, https://www.pc.gov.au/__data/assets/pdf_file/0008/218564/sub015-horizontal-fiscal-equalisation.pdf, p 63

Table 1: Royalty arrangements of current LNG projects in Australia

Project	Operator	Supply gas	Prod. capacity (Mtpa)	Royalty arrangements
Karratha Gas Plant (WA)	**Woodside**	North West Shelf fields and Pluto field	18.5	Commonwealth royalty on gas from NWS fields used to produce 13.9 Mtpa LNG (partially provided to state in grant payments). No royalty applies to gas from other fields that also feed the KGP, producing approximately 3.6 Mtpa LNG.
Gladstone LNG (QLD)	**Santos**	Bowen and Surat Basins, south-east Queensland	7.8	Queensland state royalty regime applies to all feed gas.
QLNG / Curtis LNG (QLD)	**BG Group**	Surat Basin, south-east Queensland	8.5	Queensland state royalty regime applies to all feed gas.
Australia Pacific LNG (QLD)	**Conoco Phillips and Origin**	Walloons Gasfields, Queensland	9	Queensland state royalty regime applies to all feed gas.
Pluto (WA)	**Woodside**	Pluto	4.9	No royalty paid.
Gorgon (WA)	**Chevron**	Gorgon	15.6	No royalty paid.
Wheatstone (WA)	**Chevron**	Wheatstone	8.9	No royalty paid.
Prelude FLNG (WA)	**Shell**	Prelude Field, Browse Basin	3.6	No royalty paid.
Ichthys LNG (NT)	**Inpex**	Ichthys field, Browse Basin	8.9	No royalty paid.
Darwin LNG (NT)	**Santos (JV)**	Bayu-Undan field, Timor Sea	3.7	No royalty paid.
Total			**89.4**	
Total export capacity supplied by gas with royalty			39.2	43.8%
Total export capacity supplied by royalty-free gas			50.2	56.2%
Total NT export capacity			**12.6**	
Total NT export capacity supplied by royalty-free gas			12.6	100%

Sources: See over page.

Nameplate capacities and supply gas: for Karratha Gas Plant, Woodside Energy 2019 (note this is higher than the previously reported nameplate capacity of 16.9Mtpa);[8] for other Western Australian facilities, WA LNG Profile May 2023;[9] for Ichthys, S&P Global Commodity Insights;[10] for Darwin LNG, Santos;[11] for Queensland facilities, Gasfields Commission Queensland.[12]
Royalty arrangements: for Karratha Gas Plant,gas from North West Shelf fields subject to a royalty of up to 12.5 per cent of the value of the petroleum at the wellhead, under the *Offshore Petroleum (Royalty) Act 2006* (Royalty Act);[13] royalty-free gas from the Pluto field backfills NWS facility;[14] for QLD LNG facilities, feed gas subject to royalties charged by the Queensland Government under the *Queensland Petroleum and Gas (Royalty) Regulations* 2021.[15]

Table 1 also shows that neither of the NT's LNG facilities pay royalties. The Blacktip gas project off Wadeye is not included in Table 1 as it does not directly feed into an LNG terminal. Blacktip does not pay any royalties as it operates in Commonwealth waters.

[8] Woodside Energy (2019) *North West Shelf Project Extension Environmental Review Document* https://www.epa.wa.gov.au/sites/default/files/PER_documentation2/NWS%20Project%20Extension%20-%20Environmental%20Review%20Document.pdf

[9] Government of Western Australia, Department of Jobs, Tourism, Science and Innovation (2023) *Western Australian LNG Profile – May 2023* https://www.wa.gov.au/government/publications/western-australias-economy-and-international-trade

[10] S&P Global Commodity Insights (9 Feb 2022) INPEX to boost Ichthys LNG production capacity to 9.3 mil mt/year by 2024 https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/oil/020922-inpex-to-boost-ichthys-lng-production-capacity-to-93-mil-mtyear-by-2024

[11] Santos (2021) *Santos announced FID on the Barossa Gas Project* for Darwin LNG https://www.santos.com/news/santos-announces-fid-on-the-barossa-gas-project-for-darwin-lng/

[12] Gasfields Commission Queensland (2023) *Queensland LNG Exports end 2020 on record high* https://www.gfcq.org.au/record-level-of-lng-exports/

[13] Federal Register of Legislation *Offshore Petroleum (Royalty) Act 2006* https://www.legislation.gov.au/Details/C2016C00402

[14] Woodside Petroleum 2020 *ASX Announcement NWS Project Participants execute Gas Processing Agreements* https://www.woodside.com/docs/default-source/asx-announcements/2020-asx/nws-project-participants-execute-gas-processing-agreements.pdf?sfvrsn=1379d276_2

[15] Queensland government (2021) *Queensland Petroleum and Gas (Royalty) Regulations 2021* https://www.legislation.qld.gov.au/view/html/asmade/sl-2021-0124

Sales revenue and royalty contributions

LNG exporters operating in Australia have experienced huge increases in revenue as energy prices have risen following Russia's invasion of Ukraine in February 2022. Much of the revenue increase is, of course, enjoyed by projects that do not pay a royalty, meaning there is no direct return to the public.

Table 2: Total and royalty-free value of LNG exports

Year	2020-21	2021-22	2022-23	2023-24 (est)	Total
Total value of LNG exported ($m)	$30,477	$70,571	$92,237	$71,540	**$264,826**
Value of LNG exports produced using royalty-free gas (est) ($m)	$17,128	$39,661	$51,837	$40,205	**$148,832**
NWS royalties to WA ($m)	$444	$1,056	$1,376	$660	**$3,536**
NWS royalties to Cth ($m)	$222	$528	$688	$330	**$1,768**
Qld royalties ($m)	$298	$1,184	$2,332	$1,275	**$5,089**
Total royalties ($m)	$964	$2,768	$4,396	$2,265	**$10,393**

Source: DISER (2024) *Resources and Energy Quarterly*, March 2024; value of royalty-free LNG exports calculated using total proportion of royalty-free production capacity (56.2%); WA Government (2023) *Budget paper no. 3: Economic and Fiscal Outlook*; Commonwealth NWS estimate is estimated as 1/3 of total. Queensland Government (2023) *Budget paper no. 2: Strategy and outlook*.

Table 2 shows the total value of LNG exports over the last four years is estimated at $265 billion. Exports of LNG based on royalty-free gas reached a total of $149 billion. To put this another way: Australians gave away the gas that made $149 billion worth of LNG, for free.

Meanwhile, total royalties paid are estimated at just $10.4 billion, or just 3.9% of the $265 billion total value of LNG exported, or 9% of the $115 billion value of the LNG made with gas that does attract a royalty. If this 9% rate had been applied to the royalty-free LNG facilities, an extra $13.3 billion in royalty revenue would have been raised.

Table 3 below provides an NT-specific estimate of the value of LNG exports by year, based on the NT projects' share of national LNG production capacity:

Table 3: Estimating NT LNG production and foregone royalty revenue

	2020-21	2021-22	2022-23	2023-24 (est)	Total
Total value of LNG exported from Australia ($m)	$30,477	$70,571	$92,237	$71,540	**$264,826**
Value of LNG exports from NT	$4,295	$9,946	$13,000	$10,083	**$37,324**
Foregone royalty revenue at 9% (NWS rate)	$387	$895	$1,170	$907	**$3,359**

Source: As for Tables 1 and 2

Table 3 shows that exports of LNG from NT-based projects totalled $37 billion over the last four years. Applying a royalty rate of 9%, as the Commonwealth collects from WA's NWS, revenue of $3.36 billion could have been raised.

The Santos-led Bayu-Undan project does pay royalties, just not to Australia. According to Santos' *Tax Contribution Disclosure* statements, Santos made royalty payments to Timor Leste of USD$304 million over the last four years for which data is available (calendar years 2019-2022).[16] This further demonstrates that governments can charge royalties on offshore gas extraction and that the Australian Government's decision not to do so is a choice.

WHAT ABOUT TAXES?

Taxes are different to royalties. As discussed above, royalties are effectively a purchase price for a resource. By contrast, the two main taxes covering the oil and gas industry—company tax and the petroleum resource rent tax (PRRT)—are levied on profits.

No LNG projects pay PRRT, as noted by Federal Treasury:

> To date, not a single LNG project has paid any PRRT and many are not expected to pay significant amounts of PRRT until the 2030s.[17]

Senate estimates hearings have revealed that the accumulation of tax credits under current rules could mean that much of the LNG industry could avoid paying PRRT indefinitely.[18] ATO statistics show that the NT's Blacktip project does not pay PRRT either.

[16] Santos (various years) *Tax Contribution Disclosure*, https://www.santos.com/search/tax+contribution/

[17] Australian Government (2023) *Budget strategy and outlook: budget paper no. 1*, page 180, https://archive.budget.gov.au/2023-24/index.htm

[18] Greber (May 31,2023) *PRRT tax credits grew three times faster than their use,* https://www.afr.com/politics/federal/prrt-tax-credits-grew-three-times-faster-than-their-use-20230531-p5dcwc

Gas companies in Australia are not significant payers of corporate income tax either. The ATO has labelled the oil and gas industry as a “systemic non-payers” of tax.[19] In 2020-21, individual corporations Woodside, Exxon, Shell, Chevron, Inpex and APLNG paid no income tax or PRRT on $34 billion of income.[20] Record prices in 2021-22 saw these companies’ income leap to $56.3 billion while paying just $454 million in company tax payments.[21]

[19] McIlroy (December 2019), *Oil, gas 'systemic non-payers' of tax,* https://www.afr.com/politics/federal/oil-gas-systemic-non-payers-of-tax-20191211-p53iys

[20] Australian Government (2022) *2020-21 Report of Entity Tax Information*, https://data.gov.au/data/dataset/corporate-transparency

[21] Australian Government (2023) *2021-22 Report of Entity Tax Information*, https://data.gov.au/data/dataset/corporate-transparency

Royalties on LNG projects

NORTHERN TERRITORY

All gas exported as LNG from the two LNG facilities in the Northern Territory is sourced from Commonwealth territorial waters and waters shared with East Timor under treaty arrangements.[22] No royalty is payable for this gas.

WESTERN AUSTRALIA

The majority of gas exported from Western Australia as LNG is sourced from offshore gas fields in Commonwealth waters that the Federal Government chooses not to charge a royalty for. This includes Chevron's giant Gorgon project on Barrow Island,[23] the Chevron Wheatstone project, Shell's Prelude Floating LNG facility and Woodside's Pluto facility.

The one exception to this is Woodside's Karratha Gas Plant (KGP), which processes gas from the North West Shelf gas fields. These began production in the 1970s, and the development is subject to a royalty of up to 12.5% of the value of the petroleum at the wellhead, paid to the Commonwealth under the *Offshore Petroleum (Royalty) Act 2006* (Royalty Act).[24] The Royalty Act sets out the basic framework for the payment of NWS area royalties, including the royalty rate and the way in which royalties are shared between the Australian Government and the Western Australian Government. Approximately two thirds of the royalties collected are granted to Western Australia; the remainder is retained by the Commonwealth.[25]

Western Australian budget papers show that in 2022–23, the state received $1.376 billion in North West Shelf grants from the Commonwealth Government.[26] This amount is higher than in previous years due to global LNG price rises resulting from the Russian invasion of Ukraine. While Commonwealth budget papers no longer indicate total royalty revenue, based on the royalty split for North West Shelf gas and the amount paid to Western Australia, it can be calculated that $2.064 billion was collected by the Commonwealth in

[22] Department of Foreign Affairs Trade (2018) *Australia and Timor Leste Maritime Boundaries Rules Based Order in Action* https://www.dfat.gov.au/sites/default/files/aus-timor-maritime-boundary-fact-sheet.pdf

[23] A Commonwealth royalty is applied to oil production on Barrow Island, but this is not applied to gas from the Gorgon fields processed at the Gorgon LNG facility also located on the island.

[24] Federal Register of Legislation *Offshore Petroleum (Royalty) Act 2006* *https://www.legislation.gov.au/Details/C2016C00402*

[25] Australian Government (2022) *Budget Paper Number 3 Budget October 2022-23* P. 105 https://archive.budget.gov.au/2022-23-october/bp3/download/bp3_2022-23.pdf

[26] Government of Western Australia (May 2023), *2023-24 Budget, Economic and Fiscal Outlook, Budget Paper No. 3*, https://www.ourstatebudget.wa.gov.au/2023-24/budget-papers/bp3/2023-24-wa-state-budget-bp3.pdf

2022–23. Just $429 million is projected to be collected by 2026–27 in the latest budget, with just $286 million provided to Western Australia in that year. Assuming the KGP was operating at full capacity, Woodside would have received around $20.5 billion in revenue for LNG exported from the facility in 2021–22.

As the North West Shelf fields are depleted, additional feed gas has been sourced to backfill the KGP. Currently this includes gas from Woodside's Pluto field, which does not attract a royalty as it is outside the area covered by the Royalty Act. Budget projections for reducing royalties from North West Shelf fields reflect the continued decline of these fields.

QUEENSLAND

All three Queensland LNG facilities (Gladstone LNG, Curtis Island LNG and Australia Pacific LNG) are supplied with feed gas from onshore gas fields in the state, specifically the Bowen and Surat Basins and the Walloons Gasfields. These facilities also purchase and export gas developed for the domestic market, and are currently "net takers" from the domestic market.[27]

Onshore gas is subject to royalties charged by the Queensland Government under the *Queensland Petroleum and Gas (Royalty) Regulations* 2021.[28] The Regulations set out royalties for three types of gas:

- *Domestic gas*: gas supplied as pipe gas to the domestic market;
- *Supply gas*: gas supplied via third parties to LNG production facilities;
- *Project gas*: gas developed specifically to supply LNG production facilities by owners of the facilities.

Queensland's petroleum royalties are not based on a simple percentage of the sales value of the gas, but are calculated with reference to the purpose of the gas, energy content and price. Australia Institute calculations based on Queensland Government formulas and benchmark prices arrive at an implied royalty rate of between 7.7% and 8.3%.[29]

While production data from Queensland gas fields is reported biannually,[30] information on royalties received from individual projects is not available. This means it is not possible to

[27] ACCC (2023) *Gas inquiry 2017–2030 Interim report*, pp.11-12 https://www.accc.gov.au/system/files/Gas%20Inquiry%20-%20January%202023%20interim%20report%20-%20FINAL_0.pdf

[28] Queensland government (2021) *Queensland Petroleum and Gas (Royalty) Regulations 2021* https://www.legislation.qld.gov.au/view/html/asmade/sl-2021-0124

[29] Queensland Revenue Office (2023) *Petroleum royalty rates*, https://qro.qld.gov.au/royalty/calculate-petroleum/rates/; Queensland Government (2024) *2023–24 summary of petroleum benchmark prices*, https://www.publications.qld.gov.au/dataset/petroleum-benchmark-prices/resource/84c29d2a-9380-4119-8d4d-b06d4b2fa86c

[30] Queensland Government Open Data Portal, *Petroleum and gas production statistics* https://www.data.qld.gov.au/dataset/petroleum-gas-production-and-reserve-statistics/resource/9746212a-e0c6-484d-95ad-b2be1c46027d

determine the exact value of royalties paid on gas that is exported via Queensland's LNG facilities.

State budget papers show that Queensland is estimated to have received $1.6 billion in royalties for all petroleum production in the state in 2022–23, including domestic gas and liquid petroleum.[31] The Queensland Gas Fields Commission reports that 91.4% of total gas production in Queensland was exported in this period,[32] but no breakdown of data is published on royalties received under the different categories of gas listed above.

[31] Queensland Government (June 2022) *2022-23 Budget, Budget Paper No.2* Table 4.6, p.103 https://s3.treasury.qld.gov.au/files/Budget_2022-23_Strategy_Outlook.pdf

[32] Queensland Gas Fields Commission (2023) *Industry Trends Report* https://www.gfcq.org.au/wp-content/uploads/2023/02/GasFields-Commission-Queensland-Shared-Landscapes-Industry-Trends-Report.pdf

Australia's gas giveaway in context

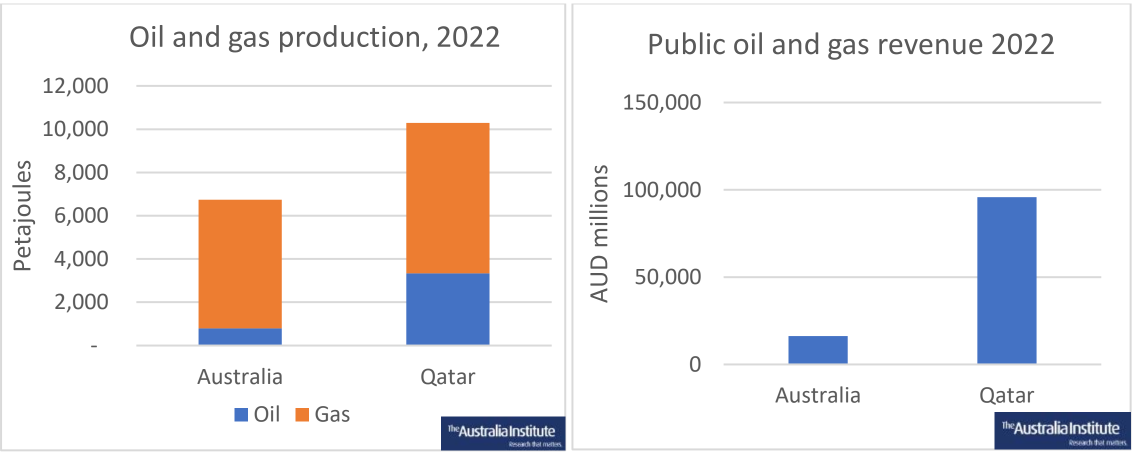
As shown above, more than half the gas exported from Australia is subject to no royalties at all. Even where royalties *are* levied, they are low by international standards, and by comparison to those charged on Australia's mineral exports.

With over half of Australia's gas exports being given to gas companies for free, and low royalty rates levied on the gas for which royalties are paid, Australia is receiving a very small amount of revenue from the LNG industry. This stands in contrast to the record profits currently being made by the LNG export industry.

In 2022–23, at a time of record high LNG prices due to the Russian invasion of Ukraine, the LNG export industry paid a total of $2.8 billion in royalties to national and state governments in Australia. This represented just 3.8% of the $71 billion value of the LNG it exported during that period. For comparison, the iron ore industry paid over $10 billion in royalties to the West Australian government alone in 2021–22,[33] at a rate of 7.5% of the value of the ore sold.[34]

For an international comparison, Qatar exports almost the same amount of LNG as Australia along with a slightly larger oil industry. On an energy basis, Qatar produces 50% more oil and gas than Australia. However, the revenue received by Qatar from its oil and gas industry is six times greater, as shown in Figure 3 below:

Figure 3: Australia and Qatar comparison



Sources: The Energy Institute (2023) *Statistical review of world energy*; APPEA (2023) *Key Statistics 2023*; Qatar Ministry of Finance (2023) *Quarterly public budget statements*; exchange rate from www.xe.com

[33] Government of Western Australia (2023) 2022-23 Budget Statements. *Budget Paper No. 2 - Volume 1* p178 https://www.ourstatebudget.wa.gov.au/2022-23/budget-papers/bp2/2022-23-wa-state-budget-bp2-vol1.pdf

[34] Government of Western Australia, Department of Mines, Industry Regulation and Safety *Mineral Royalties in Western Australia Information Sheet https://www.dmp.wa.gov.au/Documents/Minerals/Mineral-Royalties-in-Western-Australia-Information-Sheet.pdf*

Figure 3 shows that Australia produced just under 7,000 petajoules (PJ) of oil and gas in 2022, and received almost $17 billion in public revenue for that production. In the same year, Qatar produced just over 10,000 PJ of oil and gas and received almost AUD $96 billion.

Norway provides another example of how some countries receive far greater returns from the development of their oil and gas resources. While Norway exports less gas than Australia, Norway's Ministry of Finance projects that tax revenue in 2023 from oil and gas alone will be a staggering A$127 billion, or around $23,500 per Norwegian citizen. This results from a tax rate applied to oil and gas production of 78%, comprising a 22% corporate tax rate and a 56% special petroleum tax.[35]

ARE THINGS GETTING BETTER OR WORSE?

At least six large new gas projects are currently under development to supply LNG export facilities in Australia. Two of these projects will support increases in Australia's overall LNG export capacity. The Woodside Scarborough project and the ENI Evans Shaol Projects[36] will provide gas for additional processing trains at the Woodside Pluto facility and the Darwin LNG facility respectively.

Other projects will backfill existing processing capacity. These include the Mitsui-Beach onshore Waitsia project in the Perth Basin and Woodside's Browse Basin project which will backfill the existing Karratha Gas Plant, and the Santos Barossa project which is intended to backfill the existing processing train at the Darwin LNG facility.

The vast majority of gas produced from the new fields under development will be royalty-free. The exceptions are the onshore Waitsia development, along with the portion of the Browse Basin gas fields that is located in State waters.

If these proposals go ahead, they will result in a significant increase in the overall proportion of Australia's gas resources being given away royalty-free.

[35] The Australia institute (2022) *Norway shows how Australia can get a fair return from oil and gas* https://australiainstitute.org.au/post/norway-shows-how-australia-can-get-a-fair-return-from-oil-and-gas/

[36]Institute for Energy Economics and Financial Analysis (2023) *ENI's Verus not so true on net zero,* https://ieefa.org/resources/enis-verus-not-so-true-net-zero

Conclusion and recommendations

Gas producers globally are making record profits during a period of sustained high prices, but Australian LNG exporters have it better than almost anywhere else in the world.

While other countries charge royalties for gas and other resources extracted in their territorial boundaries, the Australian Government is giving away gas worth tens of billions of dollars to multinational gas exporters every year. This gas is a non-renewable resource managed by state and Commonwealth governments on behalf of all Australians. Giving it away to gas companies making multi-billion-dollar profits denies Australians a fair return and promotes over-exploitation of the resource.

The billions of dollars in forgone revenue each year from effectively giving away Australian gas could be invested in a sovereign wealth fund (as it is in Norway) or used to raise productivity and increase living standards of Australians by funding schools, hospitals, renewable energy, and other needed public infrastructure.

The Australia Institute recommends:

- A comprehensive inquiry into the mismanagement of Australia’s gas resources; and
- The application of a royalty at least comparable to that charged on NWS production to all projects in Commonwealth waters.