A 3-point plan for gas

How Australia can raise $17B per year, lower energy prices, support manufacturing and reduce emissions

1. ***25% tax on gas exports.***
2. ***Divert 'uncontracted' gas from exports to Australian use.***
3. ***Stop new gas projects.***

Richard Denniss, Louise Morris, July 2026

Soon after his election victory in 2025, Prime Minister Anthony Albanese spoke of "doing things the Australian way, not looking towards any other method or ideology from overseas". An approach he summarised as "progressive patriotism".

Progressive patriotism should be urgently applied to gas policy in Australia. Even though we are one of the world's largest exporters of gas it is regularly suggested that Australia experiences "shortages" of gas, domestic energy prices are high, and little tax is paid by the multinational companies that export Australian gas.

Any credible gas policy also needs a clear plan for decommissioning the offshore rigs and platforms that are reaching the end of their working lives. A properly funded and enforced decommissioning industry would create thousands of secure jobs for workers,[i] while ensuring the industry, not taxpayers, pays for cleaning up its own mess.[ii] That plan must also close the loophole that lets rig owners defer or avoid their decommissioning obligations by proposing ageing infrastructure be repurposed for carbon capture and storage, effectively turning depleted gas fields into permanent offshore dumping grounds for carbon dioxide, including CO_2 imported from overseas.[iii]

Ending new gas approvals is also central to Australia keeping faith with its international commitments. Having signed the Belém Declaration on the Transition Away from Fossil Fuels, and with the second Transition Away from Fossil Fuels conference to be co-hosted by Tuvalu in 2027, Australia has an opportunity to show its Pacific neighbours that its words are matched by action.[iv] Redirecting capital and policy attention away from new gas projects would help accelerate Australia's renewable energy transition and lower energy costs for households and businesses, rather than locking in decades of further fossil fuel dependence.

2026 has seen significant debate over gas policy, with a still-unclear domestic gas reservation policy as the current outcome. This policy may eventually help reduce domestic prices, but will not raise a cent of revenue and other problems remain.

This brief highlights 3 key problems in Australian gas policy and proposes 3 solutions:

Problems:

1) The tiny amount of tax collected by state and federal governments from the gas industry despite the industry's large revenues and greenhouse emissions.
2) The enormous expansion of Australian gas production in the last 15 years, almost entirely for export, has diverted cheap gas away from domestic users.
3) The unlimited export of gas has linked domestic prices to world markets, tripling Australian wholesale gas prices.

Solutions:

1) Introduce the Australian Council of Trade Union (ACTU)'s proposed 25% tax on gas export revenue.
2) In the event that domestic prices remain too high, divert 'uncontracted' gas away from the export market and towards Australian domestic use.
3) Stop opening new gas projects that will no longer be necessary once steps 1) and 2) ensure sufficient gas is supplied to Australian gas users.

Fact 1: Australian gas supply has tripled since 2010

Australia has an abundance of gas. Production has tripled. **Three times** more gas was produced in the last year than was produced 15 years ago.[v] Fully 80% of gas extracted in Australia is turned into liquified natural gas (LNG) and exported, mainly to Japan, China, South Korea and Taiwan.

The last 15 years have seen new LNG export capacity approved and developed in Western Australia, Darwin and importantly at Gladstone, Queensland. This has linked all of Australia's domestic gas markets to world prices, because rather than supplying Australians at previously low prices, gas producers can now sell to higher-priced international markets.

Fact 2: Gas exports caused high prices for Australians

Usually when supply increases prices decrease. But while Australia's supply of gas has tripled in 15 years, the new export facilities mean that the entire world can now bid for Australian gas. This has increased demand for Australian gas, far more than supply has increased, driving up prices.

Until gas started being exported through Gladstone, wholesale gas prices in eastern Australia were low – generally $4 per gigajoule (GJ). Gas production in Bass Strait and in South Australia's Cooper Basin provided ample supply to domestic consumers. Since exports from Gladstone began, prices have risen to $12/GJ, with a spike to over $30/GJ at the start of the Ukraine war. Without exports, that spike would not have occurred and inflation in Australia would have been lower.[vi]

The same thing has occurred in Western Australia. While the state's gas reservation policy protected WA consumers for many years, in 2020 policies changed and domestic gas was allowed to be exported. Just as on the east coast, wholesale prices have since tripled in WA, although the impact on retail prices has been limited so far by highly regulated pricing and state-owned energy companies having long-term contracts.[vii]

High wholesale gas prices also drive high electricity prices. While gas only provides around 5% of electricity in the National Electricity Market, gas power stations operate as "peaking plants", providing electricity at times of high demand, which ensures high gas prices also mean high electricity prices.

Fact 3: Gas companies pay little tax

According to Commonwealth Treasury, until 2023, "not a single LNG project has paid any Petroleum Resource Rent Tax (PRRT) and many are not expected to pay significant amounts of PRRT until the 2030s." [viii] While changes introduced in 2023 ensure gas exporters no longer pay zero tax, the payments are so tokenistic that PRRT revenue is forecast to decline over the next three years from $1.9 billion to $1.3 billion.[ix]

No royalties are charged on gas extracted from Commonwealth waters, as royalties were removed in the 1980s and replaced with the failed PRRT. Australia Institute research estimates that $170 billion worth of LNG exported over the last four years attracted no royalty and paid no PRRT. This gas was given away for free.[x]

Gas exporters also pay little in company tax, with the Australian Taxation Office branding them "systemic non-payers" of tax.[xi] Recent company tax payments by Woodside, Chevron and others are driven by the $112 billion windfall made by these companies due to the Ukraine war and resulting energy price spike.[xii] Recent payments should be seen in the context of this windfall and no matter how much company tax the gas industry pays, Australian gas should never be given away for free.

The Commonwealth Government receives more each year in HECS repayments than it received from PRRT. Indeed, it also gets more from beer excise.

A 3-POINT GAS PLAN TO PUT AUSTRALIANS FIRST

1. Stop giving away gas for free

The Commonwealth should ensure no gas that is exported is given away for free. The proposal by the Australian Council of Trade Unions (ACTU) to apply a 25% tax on gas export revenue could raise $17 billion per year from the $68 billion revenue that gas exporters are expected to receive this year.[xiii] An export tax would also have the benefit of diverting gas from exports to the domestic market, because the only way to avoid the tax would be to sell domestically. Under a basic economic model, a 25% export tax should reduce domestic gas prices by almost 25%. In the real world, this may not occur and a further step could be introduced to ensure lower domestic prices.

2. Divert uncontracted gas to domestic users

Last year, almost a quarter of Australia's gas exports were sold on the spot market, that is, sold to foreign buyers who did not have any long-term contracts to buy fixed quantities of Australian gas at an agreed price. Indeed, by next year the volume of these so called "uncontracted" gas exports will be approximately equal Australia's entire domestic gas demand.[xiv]

Some or all of this gas, which is not contractually promised to any foreign buyers, could be redirected for Australian use. This would significantly reduce Australian gas and electricity prices without breaking any contracts or bringing meaningful accusations of sovereign risk.

3. Stop new gas projects

End approval of **new, and politically painful, gas projects** that would no longer be required as points 1 and 2 ensure supply and lower prices for Australian gas users. This would also help Australia, and the world, reach its climate targets more easily as fugitive emissions from gas wells and the energy required to liquify gas for export are a major contributor to Australia's domestic greenhouse gas emissions. Ending new gas approvals is a critical first step in Australia acting on our commitments to the Belem declaration and a Transition Away from Fossil Fuels.

[i] Maritime Union of Australia (2024) *Maritime workers welcome roadmap for offshore hydrocarbon decommissioning industry*, https://www.mua.org.au/news/maritime-workers-welcome-roadmap-offshore-hydrocarbon-decommissioning-industry

[ii] Australia Institute (2026) *Submission on Enhanced offshore oil and gas decommissioning framework*, https://australiainstitute.org.au/report/submission-on-enhanced-offshore-oil-and-gas-decommissioning-framework/

[iii] Kurmelovs (2024) *In Australia, a new way to avoid decommissioning oil fields: call them carbon capture projects*, Drilled, https://drilled.media/news/ccs-australia; see also IEEFA (2025) *Australia's decommissioning challenge raises financial risks for governments and shareholders*, https://ieefa.org/resources/australias-decommissioning-challenge-raises-financial-risks-governments-and-shareholders

[iv] DCCEEW (2025) *Australia's participation at COP30*, https://www.dcceew.gov.au/about/news/australias-participation-cop30; Carbon Brief (2026) *Santa Marta: key outcomes from first summit on 'transitioning away' from fossil fuels*, https://www.carbonbrief.org/santa-marta-key-outcomes-from-first-summit-on-transitioning-away-from-fossil-fuels/

[v] 159 billion cubic meters in the year to March 2025, compared to 56 Bcm in 2010-11. See Resources and Energy Quarterly.

[vi] See Ogge et al (2025) *Impact of gas exports on Australian energy prices*, https://australiainstitute.org.au/report/impact-of-gas-exports-on-australian-energy-prices/

[vii] Ogge et al (2024) *Why WA energy prices have tripled*, https://australiainstitute.org.au/report/why-wa-energy-prices-have-tripled/

[viii] Treasury (2023) *Budget paper #1 2023-24: Budget strategy and outlook*, page 180, https://archive.budget.gov.au/2023-24/index.htm

[ix] Treasury (2026) *Budget paper #1 2026-27: Budget strategy and outlook,* page 208

[x] Ogge et al (2025) *Giving away gas to 2030*, https://australiainstitute.org.au/report/giving-away-gas-to-2030/

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

[xii] Denniss et al (2025) *What the Middle East war means for Australians and gas companies*, https://australiainstitute.org.au/report/what-the-middle-east-war-means-for-australians-and-gas-companies/

[xiii] Australia Institute (2026) *Australia's great gas giveaway*, https://gas.australiainstitute.org.au/, https://australiainstitute.org.au/post/actu-plan-to-tax-gas-exports-would-cut-energy-bills-and-allow-

[xiv] Saunders and Denniss (2024) *What is the case for more gas?*, page 9-10, https://australiainstitute.org.au/report/what-is-the-case-for-more-gas/