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A 3-point plan for gas

How Australia can lower energy prices, support manufacturing and reduce emissions

Richard Denniss, August 2025

Soon after his election victory, 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. Despite being 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.

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

Problems:

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

Solutions:

1) Divert 'uncontracted' gas away from the export market and towards Australian domestic use.
2) Ensure none of Australia's gas is given away for free by imposing a royalty or export tax on all gas exported from Commonwealth waters.
3) Stop opening new gas projects that will no longer be necessary once some 'uncontracted' gas is supplied to Australian gas users.

The facts about gas expansion: 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 was produced 15 years ago.[i] 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 has 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.

The facts about gas prices: Gas exports led to a tripling of the price of gas for Australian users.

Usually when supply increases prices tend to decrease. But while Australia's supply of gas has tripled in 15 years, the entire world can now bid for Australian gas meaning demand has increased by even more than supply.

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.[ii]

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.[iii]

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.

The facts about tax paid by the gas industry: They pay very little

According to Commonwealth Treasury, "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." [iv]

No royalties are charged on gas extracted from Commonwealth waters, as royalties were removed in the 1980s and replaced with the failed PRRT. The one exception is the North West Shelf project off WA, which does pay a royalty due to the $8 billion in subsidies it initially received from the WA Government.[v]

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.[vi]

Gas exporters also pay little in company tax, with the Australian Taxation Office branding them "systemic non-payers" of tax.[vii] Recent company tax payments by Woodside, Chevron and others are driven by the extraordinary profits made by these companies due to the Ukraine war and resulting energy price spike. Australia Institute research estimates that gas exporters have enjoyed a $100 billion windfall over the last three years.[viii] 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 our PRRT. Indeed, it also gets more from beer excise.

A 3-POINT GAS PLAN TO PUT AUSTRALIANS FIRST

1. 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.[ix]

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.

2. Stop giving away gas for free

The Commonwealth should ensure no gas that is exported is given away for free. Applying similar royalty rates on gas taken from Commonwealth waters to those currently imposed on the North West Shelf and Queensland onshore gas would raise $13 billion in revenue per year.[x] An alternate proposal by the Australian Council of Trade Unions (ACTU) to apply a 25% tax on gas export revenue could raise a similar $12.5 billion per year.[xi] Either approach would be a major improvement.

3. Stop new gas projects

End approval of **new, and politically painful, gas projects** that would no longer be required as point 1 ensures 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.

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

[ii] 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/

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

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

[v] WA Government (2017) Western Australia's Submission to the Productivity Commission's Inquiry into Horizontal Fiscal Equalisation, page 63, https://www.wa.gov.au/system/files/2020-02/western-australias-submission-to-the-productivity-commissions-inquiry-into-horizontal-fiscal-equalisation.pdf

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

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

[viii] Ogge et al (2025) *War gains: windfall profits on liquified natural gas exports, 2022-24*, https://australiainstitute.org.au/report/war-gains-windfall-profits-on-liquified-natural-gas-exports-2022-24/

[ix] 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/

[x] Ogge et al (2024) *Australia's great gas giveaway: How Australia gives gas to multinational corporations for free*, https://australiainstitute.org.au/report/australias-great-gas-giveaway/

[xi] Australia Institute (2025) ACTU plan to tax gas exports would cut energy bills and allow government to triple spending on housing, https://australiainstitute.org.au/post/actu-plan-to-tax-gas-exports-would-cut-energy-bills-and-allow-government-to-triple-spending-on-housing/