

# A climate disaster levy: fairly funding the increasing costs of climate change

***Australians are suffering from climate disasters that are accelerating as climate change worsens. Climate change is spurred on by the historical and present emissions of the fossil fuel industry. A levy on fossil fuel exports could make the fossil fuel industry pay for the harms it has caused and raise up to \$100 billion every year.***

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Natural disasters affect Australians' lives, homes and surrounding environment and impose significant economic costs. Putting a dollar figure on the damage that disasters cause is subjective and imprecise, but a recent estimate puts the figure at \$38 billion per year, equivalent to the combined government budgets of South Australia and Tasmania.<sup>1</sup> These costs will escalate over the coming years and decades as the frequency and intensity of natural disasters increase due to climate change.

The extraction and use of fossil fuels such as coal, oil and gas is a key factor driving climate change and the resulting increasing costs of natural disasters. Australia is the world's third-largest fossil fuel exporter and second-largest exporter of fossil fuel CO<sub>2</sub>

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<sup>1</sup> Deloitte (2021) *Special report: Update to the economic costs of natural disasters in Australia*, <https://www.iag.com.au/content/dam/corporate-iag/iag-aus/au/en/documents/report/iag-reports-deloitte-economic-costs-natural-disasters-21.pdf>; Australian Bureau of Statistics (2025) *Government Finance Statistics, Annual, 2023-24*, <https://www.abs.gov.au/statistics/economy/government/government-finance-statistics-annual/2023-24>

emissions.<sup>2</sup> Fossil fuel companies are making large profits selling the products that cause climate change. According to the Australian Bureau of Statistics, coal, oil and gas companies made pre-tax profits of \$302 billion over the three years from 2021-22 to 2023-24.<sup>3</sup> Much of this profit is unearned windfalls – Australia’s gas exporters received around \$100 billion in windfall profits due to Russia’s invasion of Ukraine over this period.<sup>4</sup>

Fossil fuel producers in Australia pay relatively little tax. Over half (56%) of Australia’s gas exports are given away for free, without paying any royalties or Petroleum Resource Rent Tax (PRRT).<sup>5</sup> The Australian Government receives more money from student debt repayments (HECS) than it does from PRRT.<sup>6</sup> The PRRT raises less money than taxes on beer, spirits, or tobacco.<sup>7</sup> More tax is paid by nurses than by gas companies, and more tax is paid by teachers than by gas companies.<sup>8</sup>

Australia’s current taxation system fails to raise significant revenue from the fossil fuel industry while also failing to make the industry pay compensation for the damage it has caused through accelerating climate change. One option to help ensure the fossil fuel industry would contribute to the costs of accelerating disasters would be through a ‘climate disaster levy’.

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<sup>2</sup> Climate Analytics (2024) *Australia's global fossil fuel carbon footprint*, <https://climateanalytics.org/publications/australias-global-fossil-fuel-carbon-footprint>

<sup>3</sup> ABS (2025) *Australian Industry: Mining industry*, <https://www.abs.gov.au/statistics/industry/industry-overview/australian-industry/2023-24>

<sup>4</sup> 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/>

<sup>5</sup> Ogge, Campbell and Verstegan (2024) *Australia's great gas giveaway*, <https://australiainstitute.org.au/report/australias-great-gas-giveaway-2/>

<sup>6</sup> RMIT ABC Fact Check (2024) *Is the government taking more from students through HECS than it collects from the Petroleum Resources Rent Tax?*, <https://www.abc.net.au/news/2024-03-07/fact-check-hecs-prrt-richard-denniss-australia-institute/103553434>

<sup>7</sup> Australian Treasury (2025) *Mid-Year Economic and Fiscal Outlook, Mid-Year Economic and Fiscal Outlook 2025-26*, <https://budget.gov.au/content/myefo/>

<sup>8</sup> Grudnoff and Ogge (2025) *Nurses pay more tax than the oil and gas companies*, <https://australiainstitute.org.au/post/nurses-pay-more-tax-than-the-oil-and-gas-companies/>; 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/>

## A CLIMATE DISASTER LEVY

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A climate disaster levy would be applied per tonne of carbon dioxide equivalent (CO<sub>2</sub>-e) potential from fossil fuels exported from Australia. The Australia Institute has been calling for a climate disaster levy since 2019.<sup>9</sup>

As this levy would only apply to exports, it would not increase Australian energy bills. As an effective export tax, it may discourage some exports, which could increase domestic supply and put downward pressure on Australian energy prices.

The levy would apply to all Australian fossil fuel exports; however, for simplicity, this briefing's calculations will only include Australia's coal and liquified natural gas (LNG) exports, as these account for the vast bulk of Australia's fossil fuel exports. Australia exports about 350 million tonnes of coal every year, which is enough to fill the Melbourne Cricket Ground more than 200 times.<sup>10</sup> Australia exports about 4,500 petajoules (PJ) of LNG each year, which is the equivalent of the energy found in over 2 billion standard household gas bottles.<sup>11</sup>

The physical properties of Australia's coal and gas exports are well known in terms of their chemistry and energy content. There are widely-published estimates of how much climate pollution is caused by burning particular amounts of Australia's coal and gas. Table 1 below converts Australia's coal and LNG exports to their carbon dioxide equivalent emissions using official government conversion factors.

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<sup>9</sup> Ogge and Swann (2019) *The National Climate Disaster Fund*, <https://australiainstitute.org.au/report/the-national-climate-disaster-fund/>

<sup>10</sup> Department of Industry, Science and Resources (2025) *Resources and energy quarterly: December 2025*, <https://www.industry.gov.au/publications/resources-and-energy-quarterly-december-2025>; Paul (2015) *How big is the MCG? Surveyors find exact measurements of Melbourne Cricket Ground*, <https://www.abc.net.au/news/2015-08-20/surveyors-find-exact-measurements-of-melbourne-cricket-ground/6709520>

<sup>11</sup> Department of Climate Change, Energy, the Environment and Water (2025) *Australian Energy Update 2025*, <https://www.energy.gov.au/publications/australian-energy-update-2025>; ELGAS (n.d.) *LPG Gas Bottle Sizes, LPG Gas Bottle Dimensions, & Gas Cylinder Sizes*, <https://www.elgas.com.au/for-home/gas-bottle-sizes-gas-cylinder-sizes/>

**Table 1: Emissions from select Australian fossil fuel exports, 2023-24**

Fuel exported	Energy (PJ)	Scope 1 Emission Factor (kt CO <sub>2</sub> -e/PJ) Combined gases	Total emissions (Mt CO <sub>2</sub> -e)
Coal	10,074	90	909
LNG	4,509	52	232
<b>Total</b>	<b>14,583</b>	<b>N/A</b>	<b>1,141</b>

Source: Australian Energy Update 2025 Figure 26; Australian National Greenhouse Accounts Factors; figures are rounded to the nearest whole number.

Table 1 shows that Australia’s coal and gas exports totalled energy units of over 14,000 PJ, which, based on conversion factors published by the Department of Climate Change, Energy, the Environment and Water would result in 1.1 billion tonnes of carbon emissions. This estimate aligns with Climate Analytics estimates of 1.15 billion tonnes of carbon dioxide emissions in 2023.<sup>12</sup> For simplicity and to make estimates more conservative, further calculations will round down total emissions to 1 billion tonnes of carbon dioxide emissions.

## POTENTIAL RATES OF THE LEVY

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How much money a climate disaster levy would raise depends on how much the Australian Government chooses to charge per tonne of exported pollution. If the climate disaster levy is set at a higher rate (Australian dollars per tonne of CO<sub>2</sub>-e), this could raise additional revenue. Higher rates are also more likely to discourage quantities of fossil fuel exports and overall carbon emissions, resulting in some reduction in estimated revenue, though benefiting the climate and domestic energy prices. Table 2 includes several potential rates for the levy and applies those rates to the estimated 1 billion tonnes of carbon pollution exported each year to give an indication of how much revenue could be raised.

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<sup>12</sup> Climate Analytics (2024) *Australia's global fossil fuel carbon footprint*

**Table 2: Potential rates and revenue for a climate disaster levy**

Levy basis	Levy rate (AUD per t CO <sub>2</sub> -e)	Estimated revenue per annum
Gillard-era carbon price <sup>13</sup>	\$34	\$34 billion
Australian Carbon Credit Unit Scheme <sup>14</sup>	\$36	\$36 billion
Biden-era Social Cost of Carbon <sup>15</sup>	\$71	\$71 billion
EU Emissions Trading Scheme <sup>16</sup>	\$151	\$151 billion

Source: various (included in footnotes), figures are rounded down to the nearest whole number.

Table 2 has several estimates that are familiar to observers of Australian and international climate policy, including:

- Gillard-era carbon price: if the carbon price introduced under the Gillard Government had not been repealed, and increased at the same rate as overall inflation, it would currently be around \$34 per tonne of CO<sub>2</sub>-e.
- Australian Carbon Credit Unit Scheme (ACCUs): ACCUs form a part of Australia’s current (though flawed) carbon market; the price per tonne of CO<sub>2</sub>-e is currently around \$36.
- Biden-era Social Cost of Carbon: under President Biden the United States Environmental Protection Agency initially estimated a social cost of carbon of US\$51. This is roughly equivalent to A\$71, depending on how it is converted.

<sup>13</sup> Intended carbon price for 2014-15, adjusted by CPI to December 2025 prices. Clean Energy Regulator (2021) *Carbon Price Mechanism: About the Mechanism*, <https://web.archive.org/web/20120509022548/http://www.cleanenergyregulator.gov.au/Carbon-Pricing-Mechanism/About-the-Mechanism/Pages/default.aspx>; Australian Bureau of Statistics (2026) *Consumer Price Index, Australia: December 2025*, <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/dec-2025>

<sup>14</sup> Volume weighted spot price at 31/12/2025. Clean Energy Regulator (2025) *Quarterly Carbon Market Report: September Quarter 2025*, <https://cer.gov.au/document/quarterly-carbon-market-report-september-quarter-2025>

<sup>15</sup> Adjusted to Australian dollars using GDP PPP 2021. Brookings Institute (2023) *What is the social cost of carbon?*, <https://www.brookings.edu/articles/what-is-the-social-cost-of-carbon/>; OECD (2025) *Annual Purchasing Power Parities and exchange rates*, <https://data-explorer.oecd.org/>

<sup>16</sup> Average allowance price for the preceding two-year reference period (August 2023 - July 2025): EUR 69.63, adjusted to Australian dollars using GDP PPP 2024. European Commission (2026) *EU Emissions Trading System: Auctioning of Allowances*, [https://climate.ec.europa.eu/eu-action/carbon-markets/eu-emissions-trading-system-eu-ets/auctioning-allowances\\_en](https://climate.ec.europa.eu/eu-action/carbon-markets/eu-emissions-trading-system-eu-ets/auctioning-allowances_en); OECD (2025) *Annual Purchasing Power Parities and exchange rates*

- EU Emissions Trading Scheme: within the European Union’s carbon market, a tonne of carbon emissions has cost about €69.63 over the last two-years. This is roughly equivalent to A\$151 depending on how it is converted.

Given this broad range of rates and potential revenues raised, we will estimate that the levy could raise up to \$100 billion.

Please note that this list is not a comprehensive list of carbon prices. Under the Biden Government, the United States Environmental Protection Agency proposed a social cost of carbon of US\$190 (over A\$250).<sup>17</sup> Some scientific journals put the social cost of carbon even higher.<sup>18</sup>

## CONCLUSION

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It is impossible to precisely estimate how much natural disasters will cost Australia in the years to come. What is clear is that the costs are likely to be substantial. Australia’s current Disaster Ready Fund has a balance of \$5.2 billion, which will not be sufficient.

It is also clear that the companies profiting from causing these disasters should make a larger contribution towards cleaning up the mess they are creating. Fossil fuel companies are making large profits that represent a logical source of funds for increased disaster recovery funding.

There is no precise figure for the cost of dealing with or preparing for incoming disasters, nor a ‘correct’ per tonne levy rate that should be applied to Australia’s fossil fuel exports. However, if Australia does not raise significant funds from the fossil fuel industry it will be much less prepared for a more dangerous future.

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<sup>17</sup> Brookings Institute (2023) *What is the social cost of carbon?*

<sup>18</sup> PNAS (2024) *Synthesis of evidence yields high social cost of carbon due to structural model variation and uncertainties*, <https://www.pnas.org/doi/10.1073/pnas.2410733121>; Nature (2022) *Comprehensive evidence implies a higher social cost of CO<sub>2</sub>*, <https://www.nature.com/articles/s41586-022-05224-9>