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What the Middle East war means for Australians and gas companies

War in the Middle East will likely increase global energy prices. Australian Government choices will determine how hard this price spike hits Australian households, how huge gas export company profits are and how much tax revenue Australia will collect.

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INTRODUCTION

The illegal war on Iran by the USA and Israel, and the consequent spread of violence around the Middle East has significant implications for Australians and the Australian economy.

The war's most direct impact on the Australian economy will likely be to push up petrol and diesel prices. Iran itself is a major oil producer, while the broader region has other even bigger producers such as Saudi Arabia and Iraq. Iran is currently being bombed, and the conflict has already spilled across borders and is effectively closing the Strait of Hormuz, through which about a fifth of global crude oil trade is shipped.[1] All of these factors will likely lead to a reduction in the supply of oil and rising prices. The effect may become reminiscent of Russia's invasion of Ukraine. In response to this invasion, many countries implemented sanctions against the Russian government, leading to reduced supply of Russian energy exports and soaring prices.

[1] USA Energy Information Administration (2025) *Amid regional conflict, the Strait of Hormuz remains critical oil chokepoint*, https://www.eia.gov/todayinenergy/detail.php?id=65504

While predictions are difficult to make and the context for this war differs, Russia's illegal invasion of Ukraine in 2022 provides a guide for what is likely to occur in relation to Australia's energy markets under current government policy.

Several impacts are all-but-certain:

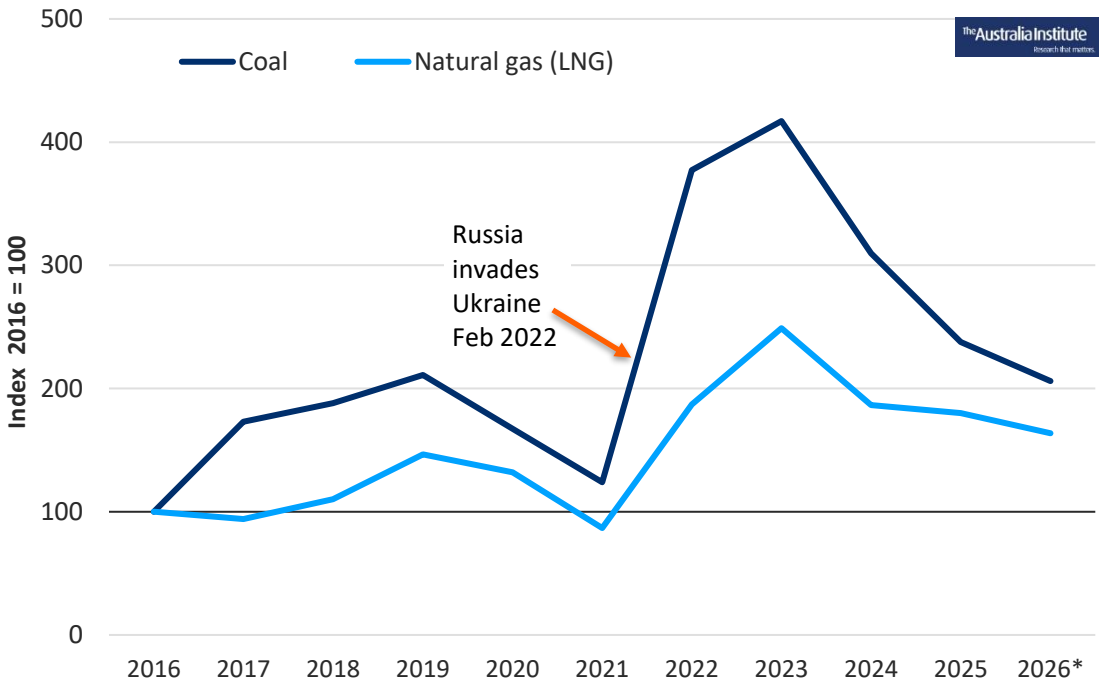
- Global energy prices will increase, including gas prices.
- Gas, electricity and petrol prices paid by Australian households will rise.
- Multinational gas companies exporting Australian gas will profit from the price increase.
- Australian Governments will raise barely any extra revenue.

The Australian Government could act to avert some of these impacts.

HOW DID GLOBAL ENERGY PRICES INCREASE IN 2022?

Global energy prices spiked following Russia's invasion of Ukraine in late February 2022, as shown in Figure 1 below.

Figure 1: Coal and natural gas export prices, index, 2016 = 100



Source: DISR (2025)

As shown in Figure 1, Australian coal and gas (LNG) export prices increased rapidly following Russia's invasion of Ukraine. Across 2021-22, coal prices tripled and LNG

prices more than doubled.[2] The price increases induced by the invasion were the biggest annual increases in gas and coal prices since this data was first collected in 1990. Since 2023, prices have declined slowly and still remain above their long-term average prices.

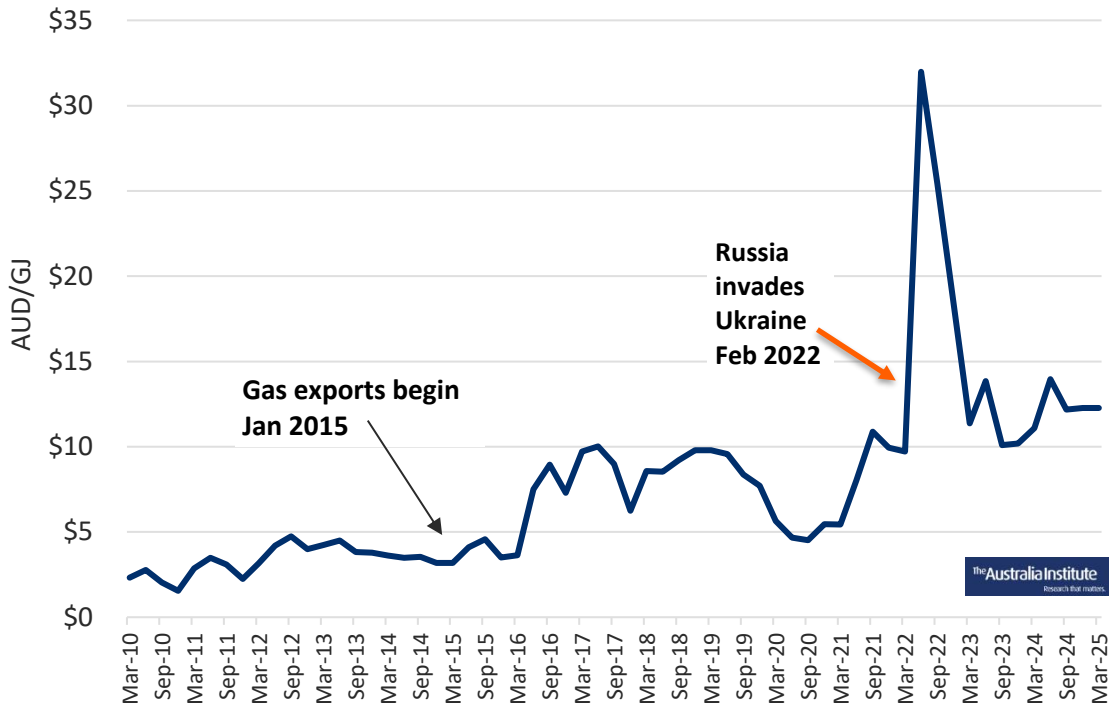
For many countries that export energy, the price spike shown in Figure 1 was good news. Governments in countries like Qatar, Norway and even Russia saw big increases in public revenue from energy exports and their domestic prices were not significantly impacted. This was not the case in Australia.

IMPACT ON AUSTRALIAN ENERGY PRICES OF RUSSIA'S INVASION OF UKRAINE IN 2022

Because Australia has no real restrictions on gas exports, gas prices paid by Australians closely follow world prices as gas companies operating in Australia seek to maximise profits. Due to the virtually unrestricted ability of the gas companies operating in Australia, most of which are foreign-owned, to sell gas to the highest bidder whenever the world price of gas increases, the gas companies simply insist that Australian customers pay the world price or miss out. The price spike caused by the profit-maximising pricing decision of gas companies operating in Australia following the Russia-Ukraine war is obvious in Figure 2.

[2] DISR (2025) *Resources and energy quarterly*, https://www.industry.gov.au/publications/resources-and-energy-quarterly-december-2025

Figure 2: East coast wholesale gas prices 2010 – 2025



Source: AEMO (2025)

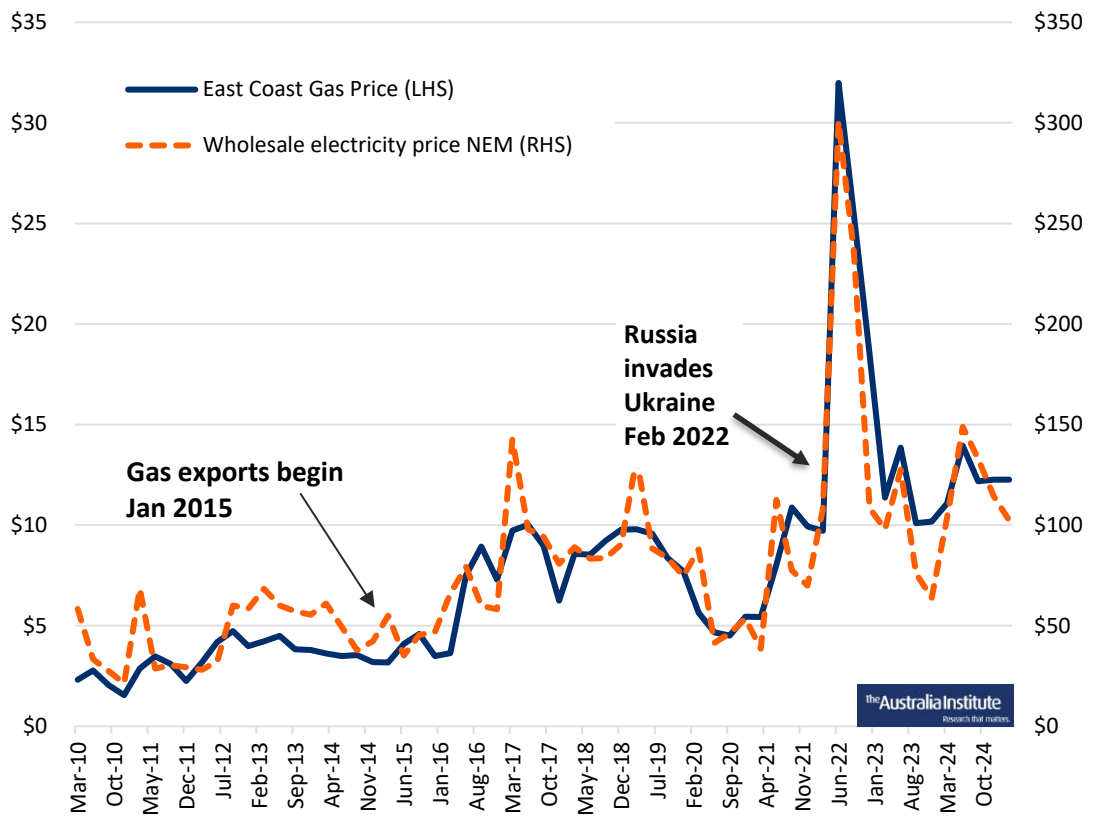
As shown in Figure , prices began to rise almost as soon as the export terminals opened in Gladstone back in 2015, with the wholesale price paid by Australians for gas tripling between 2010 and 2016. To be clear, the decision to export gas from the east coast of Australia from 2015 had a much bigger, and entirely uncompensated, impact on prices than the carbon price introduced by the Gillard government ever did.

The dip in the gas price shown in Figure 2 in 2020 coincides with the COVID pandemic, and the major spike in 2022 to $31.98/GJ coincides with the worldwide energy price spike following Russia's invasion of Ukraine.

Worse still for Australian consumers, gas price increases also have a significant impact on Australian electricity markets because gas-fired electricity generators are often the price setters in Australia's National Electricity Market (NEM). In the words of Griffith University researchers, there is a "near-perfect correlation between natural gas prices and electricity prices in Australia's National Electricity Market".[3] This relationship can be seen in Figure 3 below.

[3] Nolan et al (2022) The role of gas price in wholesale electricity price outcomes in the Australian National Electricity Market, https://www.griffith.edu.au/__data/assets/pdf_file/0034/1639348/No.2022-08-Gas-Price-and-Electricity-price-Relationship.pdf

Figure 1: Relationship between the wholesale gas and electricity prices, 2010 – 2025



Sources: AEMO (2025), OpenElectricity (2025)

To be clear, what Figure 3 shows is that Australia's gas exports expose Australians to world gas prices for gas, which in turn means that Australia's electricity prices are driven by the world price of gas.

Even though wars in Ukraine and the Middle East have no impact on the costs of extracting gas, coal ore renewable energy in Australia, the unique design of Australian energy markets means that when foreign wars drive up the world price of energy, Australian businesses and households suffer from big increases in the price of gas and electricity.

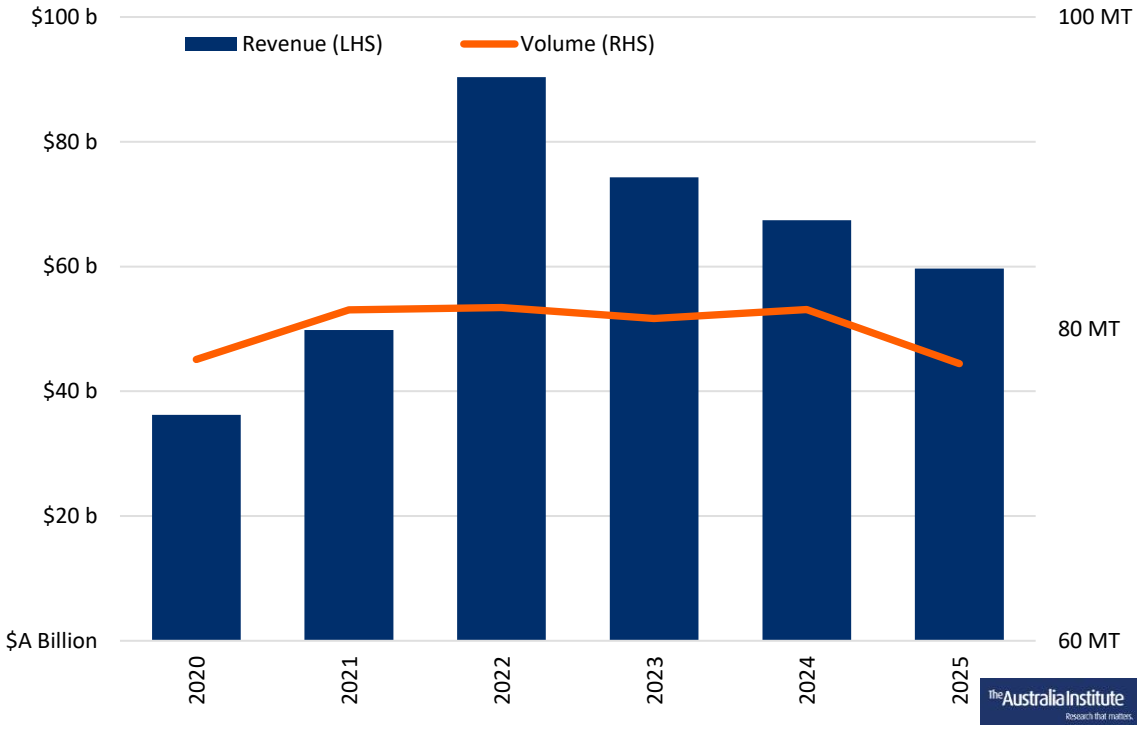
Put simply, while most energy exporting countries feel rich when the world price of their exports surges rapidly, the poor design of Australia's resource taxation and electricity market means that Australians see their real wages fall as energy prices soar.

THE IMPACT OF WAR ON COMPANIES EXPORTING GAS FROM AUSTRALIA

While a global energy price spike is bad news for Australian consumers, it is good news for the multinational gas companies that export Australian gas in the form of Liquefied Natural Gas (LNG).

Through the four years of the Ukraine war, the volume of LNG exported from Australia has barely changed, but the revenue received by the LNG exporters leapt to unprecedented levels, as shown in Figure 4 below.

Figure 4: Australian LNG export revenue and volume



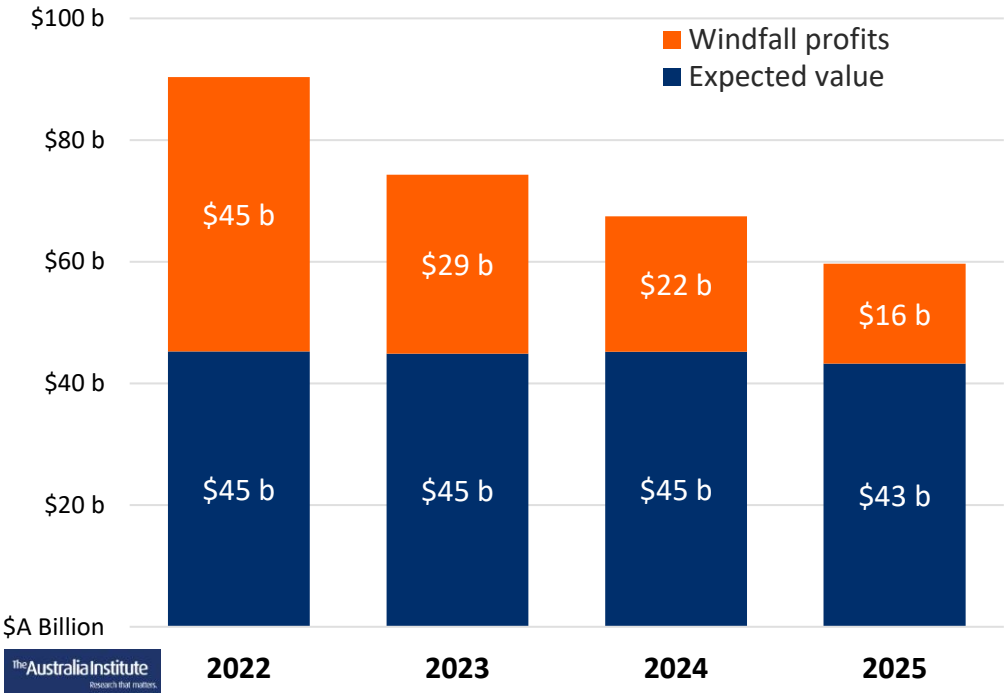
Sources: ABS (2025) *International Trade in Goods and Services*, abs.gov.au/statistics/economy/international-trade/international-trade-goods/ : DISER (2025) *Resources and energy quarterly*, industry.gov.au/publications/resources-and-energy-quarterly

Figure 4 shows that while LNG export volumes have been steady at around 80 million tonnes per year, revenues leapt following the Russian invasion from a low of $36 billion in 2020 to over $90 billion in 2022, and these revenues remained at close to record highs for the following two years. This increase occurred with virtually no

increase in the cost of production according to the Australian Competition and Consumer Commission (ACCC).[4]

Increases in LNG revenue with no increase in volumes or costs have led to large windfall profits for LNG exporters. The windfall profit can be estimated by calculating what LNG export revenue would have been, had global energy prices not spiked following Russia's invasion. For the five years before the invasion, LNG export prices from Australia averaged $556 a tonne. In 2022, the LNG export price doubled to $1,110 a tonne. Figure 5 below shows in blue what LNG revenue would have been at the average LNG export price for the five years leading up to the Russian invasion. The orange bars show the additional windfall the LNG exporters have enjoyed over the last four years.

Figure 5: Estimated LNG windfall profit and export revenues, 2022-2025



Sources: ABS (2025), DISER (2025)

Figure 5 shows that LNG exporters have made windfall profits of $45 billion, $29 billion, $22 billion and $16 billion over these four years, for a total of $112 billion. Figure 5 highlights that at average prices (blue shading), LNG export revenue and profits would have been stable. However, with a doubling of the export price, export revenue also doubles. With little to no change in production costs, as noted by the

[4] ACCC (2022) *Gas inquiry July 2022 interim report*, https://www.accc.gov.au/publications/serial-publications/gas-inquiry-2017-2025/gas-inquiry-july-2022-interim-report

ACCC, the increase in export revenue (orange shading) represents a windfall profit to the mostly foreign-owned LNG exporters.[5]

RECORD GAS PRICES DELIVER MINIMAL TAX REVENUE FOR AUSTRALIA

Despite these huge windfall profits enjoyed by gas companies selling Australian gas, Australian citizens are unlikely to see a significant increase in tax revenues, even though they are likely to pay significantly more for their energy, because the current design of the Australian taxation system means that little of this windfall has been taxed.

In 2023, Australia's Treasury wrote that no LNG exporter had ever paid Petroleum Resource Rent Tax (PRRT). Put simply, Australia's so-called 'rent tax' on gas and oil, a tax explicitly designed to tax 'super profits' (known to economists as 'rents') failed to capture any of the windfall profits that accrued to the gas industry from Russia's invasion of Ukraine in 2022.[6]

Australia's company tax regime has captured a small part of the gas industry's windfall profit for the Australian public, but a detailed estimate of LNG-related company tax payments is not available from the ATO or Treasury. The industry lobby group, Australian Energy Producers, estimates that all its members, not just LNG exporters, made company tax payments of $13.5 billion in 2024-25 (forecast), $13 billion in 2023-24, $8.8 billion in 2022-23 and approximately $2 billion in 2021-22, a total of $37.3 billion.[7]

Even if all this revenue were from LNG export operations, it would include tax paid on normal profits in addition to windfall profits earned since Russia's invasion of Ukraine. At best, $37.3 billion in company tax may have been paid on the $112 billion windfall

[5] ACCC (2022)

[6] Treasury (2023) *Budget 2023-24, Budget Paper 1*, p180. https://archive.budget.gov.au/2023-24/bp1/download/bp1_2023-24.pdf

[7] Australian Energy Producers (2023) *Media Release: Gas sector to deliver $16 billion to governments as contribution almost triples*, https://energyproducers.au/all_news/media-release-gas-sector-to-deliver-16-billion-to-governments-as-contribution-almost-triples/; Australian Energy Producers (2024) *Australian oil and gas sector delivers record contribution to government revenues in 2023-24*, https://energyproducers.au/all_news/australian-oil-and-gas-sector-delivers-record-contribution-to-government-revenues-in-2023-24/; *Australian Energy Producers (2025) Media release: Australian oil & gas industry delivers record $22 billion in taxes and royalties to government revenues in 2024-25*, https://energyproducers.au/all_news/media-release-australian-oil-gas-industry-delivers-record-22-billion-in-taxes-and-royalties-to-government-revenues-in-2024-25/

the LNG industry has enjoyed since Russia's invasion of Ukraine. The reason that other energy-exporting countries feel rich when world energy prices surge is that other countries manage to collect a large percentage of the 'rents' from their resources. Successive Australian governments have chosen not to emulate the systems used in Norway, Qatar, Saudi Arabia or other major energy exporters.

WHAT THE AUSTRALIAN GOVERNMENT COULD DO

The Australian Government could be doing a lot more to minimise the conflict in the Middle East and build genuine peace. Australia has significant international power and a close relationship with the United States.[8] To date, far from using that power, the Albanese Government has supported the USA and Israel's illegal aggression.[9] The AUKUS submarine deal has made Australia itself complicit in the collapse of international law.[10]

On the domestic front, the Australian Government could:

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 25% export tax on all gas exported from Commonwealth waters, as proposed by the ACTU.

3) Stop opening new gas projects that will no longer be necessary once some 'uncontracted' gas is supplied to Australian gas users.

This 3-point plan for gas would not only insulate Australia's consumers from rising energy prices, but it would also help reduce carbon emissions and protect domestic manufacturing.[11]

[8] Behm (2025) *Australia has power, why don't we act like it?,* https://australiainstitute.org.au/post/australia-has-power-why-dont-we-act-like-it/

[9] George (2026) *'Deeply disturbing' fallout feared as US–Israel attack ignites regional conflict*, https://thepoint.com.au/news/260304-deeply-disturbing-fallout-feared-as-us-israel-attack-ignites-regional-conflict

[10] Shortis (2026) *Albanese's policy on Iran makes us complicit in the collapse of international rules*, https://www.theguardian.com/commentisfree/2026/mar/07/labor-fails-to-repudiate-trumpism-australia-is-being-dragged-into-the-us-and-israels-war-against-iran-ntwnfb

[11] Denniss (2025) *A 3-point plan for gas: How Australia can lower energy prices, support manufacturing and reduce emissions*, https://australiainstitute.org.au/report/a-3-point-plan-for-gas/

While Australia has less potential to directly influence petrol prices, there are many policies that could be implemented to reduce liquid fuel use and increase fuel security.

In response to the "energy security emergency" arising from Russia's invasion of Ukraine, the International Energy Agency published a 10-point plan to improve fuel security by cutting oil use by 6% within four months. Four years later, Australian governments have implemented none of the IEA's recommendations,[12] and the rising number of large utes on our roads is reducing both fleet fuel efficiency and energy security.

CONCLUSION

War in the Middle East is having appalling humanitarian consequences and its outcomes for the region are unpredictable. What can be predicted, however, is the impact of the war on important aspects of the Australian economy.

Australian Governments have failed to prepare for this moment, both diplomatically and domestically. However, there are simple policy changes that could see Australians protected from some of the war's main economic impacts.

There is no reason for Australian consumers or businesses to experience increases in the price of electricity or gas. And there is no reason that the Commonwealth government should not collect significantly more tax revenue as the price of Australia's energy prices surge. Other energy exporting counties have managed to insulate their consumers, businesses and budgets from energy price shocks. The 25% export gas tax proposed by the ACTU would go a long way to protecting Australia from the likely consequences of the latest war in the Middle East.

[12] Campbell (2024) Fuel security in Australia and the International Energy Agency's 10-point plan, https://australiainstitute.org.au/report/fuel-security-in-australia-and-the-international-energy-agencys-10-point-plan/