

Taxing gas in Australia and Japan: May 2026 update

Japan taxes energy imports through its Petroleum and Coal Tax, which raises AUD \$8 billion per year on average. Of this \$8 billion, around \$1.8 billion comes from taxing gas imports into Japan. This is more than the \$1.4 billion per year that Australia's Petroleum Resource Rent Tax (PRRT) raises in total. Japan raises \$732 million each year taxing gas imports from Australia specifically. Prior to 2023, gas exporters in Australia paid no PRRT at all. After the PRRT was changed in 2023, gas exporters now pay an average of \$424 million per year according to new data from the Australian Taxation Office.

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INTRODUCTION

War in Iran and the resulting impacts on energy markets have intensified debate about Australia's gas exports and how much money is, or is not, raised from those exports. A direct 25% tax on liquefied natural gas (LNG) exports has gained support across a wide range of stakeholders.

A tax on gas exports is popular in Australia because of growing public awareness of how little money is raised from gas exports by the Australian Government. Australia collects more money from both student loan repayments and beer excise than it does

from Petroleum Resource Rent Tax (PRRT), the tax that is supposed to deliver a return for Australian offshore oil and gas production.¹ More broadly, the Australian Taxation Office (ATO) describes the gas industry as “systemic non-payers” of tax,² and Australia’s teachers and nurses *each* pay more in tax than is raised from the entire oil and gas industry through PRRT and company tax.³ The Queensland Government’s reluctance to collect coal royalties has also attracted recent controversy.⁴

Japan is a major buyer of Australian gas and coal, and Japanese corporate and government spokespeople engage directly in Australia’s energy policy debates, including opposition to a gas export tax.⁵

However, while Australian debate on taxation of gas features both input from Japanese leaders and regular international comparisons (comparisons with Norway and Qatar are particularly common), one obvious comparison is rarely made – Japan itself. Japan’s taxation of gas and coal imports has barely been mentioned in recent Australian public discussion, even though Japan’s wider policies promoting LNG, particularly its practice of on-selling Australian gas, have been well researched and discussed.⁶

¹ 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>; Campbell (2026) *Tax: Beer drinkers vs gas companies*, <https://australiainstitute.org.au/report/tax-beer-drinkers-vs-gas-companies/>

² McIlroy (2019) *Oil, gas 'systemic non-payers' of tax*, <https://www.afr.com/politics/federal/oil-gas-systemic-non-payers-of-tax-20191211-p53iys>

³ 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/>; Grudnoff & 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/>

⁴ Campbell (2026) *What did Adani get for the money it gave to the Queensland Liberal National Party?*, <https://thepoint.com.au/opinions/260211-what-did-adani-get-for-the-money-it-gave-to-the-queensland-liberal-national-party>

⁵ Coorey & Macdonald-Smith (2026) *'We hate surprises': Japan warns against new gas tax*, <https://www.afr.com/politics/federal/we-hate-surprises-japan-warns-pm-against-new-gas-tax-20260325-p5wtwx>

⁶ Ali & Sherley (2025) *How to build a gas empire: Part 1*, <https://www.jubileeaustralia.org/resources/publications/gas-empire-part-1>; Denis-Ryan & Runciman (2025) *How Japan cashes in on resales of Australian LNG at the expense of Australian gas users*, <https://ieefa.org/resources/how-japan-cashes-resales-australian-lng-expense-australian-gas-users>

This report was first released ahead of public hearings of the Australian Senate’s *Select Committee on the Taxation of Gas* (Senate Inquiry).⁷ This update uses data provided to the inquiry and other sources to update the findings from April.

JAPAN’S PETROLEUM AND COAL TAX

The Petroleum Association of Japan provides a history of the Petroleum and Coal Tax:

In 1978, a petroleum and coal tax was established as a petroleum tax to be a financial resource for promoting stockpiling and development of oil. In 2003, the petroleum tax was renamed the petroleum and coal tax when coal was added as a subject for taxation in order to equalize the tax burden between fuels, and a new tax rate was established for each fuel. Furthermore, starting from 2012, the tax rate was raised due to a special tax for global warming countermeasures.⁸

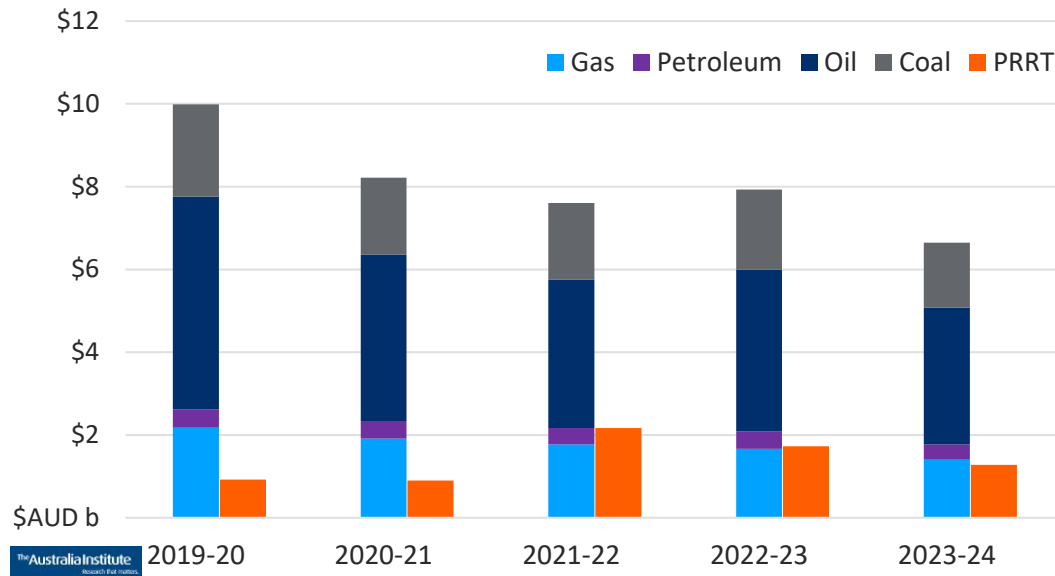
The financial resources provided by the import tax, which boost Japan’s fuel security and global warming countermeasures, are substantial. According to Japan’s National Tax Agency (NTA), Petroleum and Coal Tax revenue has averaged AUD \$8 billion per year over the last five years for which data is available.⁹ This is clearly more than the average \$1.4 billion raised each year by Australia’s PRRT, as shown in Figure 1 below:

⁷ Parliament of Australia (2026) *Select Committee on the Taxation of Gas Resources*, https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Taxation_of_Gas_Resources

⁸ Petroleum Association of Japan (2025) *Petroleum Industry in Japan 2025*, https://www.paj.gr.jp/pdf/today_paj_en2025.pdf

⁹ Converted to \$AUD from JPY using average annual exchange rates. NTA (n.d.) *Tax statistics*, <https://www.nta.go.jp/english/publication/statistics/index.htm>

Figure 1: Japan’s Petroleum and Coal Tax vs Australia’s PRRT



Sources: Japan's National Tax Agency (2026) Tax Statistics; Parliamentary Budget Office (2026) Historic fiscal data, Table 5, <https://www.pbo.gov.au/publications-and-data/data-and-tools/data-portal/historical-fiscal-data>

Figure 1 shows that over the five years to 2023-24, Japan’s Petroleum and Coal Tax has raised as much as AUD\$10 billion in 2019-20, while Australia’s PRRT reached \$2 billion only once in 2021-22.

Figure 1 also shows the breakdown of how much revenue is raised by the Japanese Government from each fuel. The largest amount each year comes from the tax on crude oil imports, coloured dark blue in Figure 1. The light blue section at the bottom of the stacked bars represents Japanese tax revenue from gas imports, including LNG from Australia. Figure 1 shows that in most years, Japan raises more revenue from its tax on gas imports than Australia raises via the PRRT. Over the five years, the total is AUD \$8.9 billion raised on gas imports by Japan, compared to \$7.0 billion raised by Australia’s PRRT. On average, this is \$1.8 billion raised by Japan compared to \$1.4 billion raised by Australia’s PRRT. Keeping in mind that the PRRT applies to both offshore natural gas and crude oil projects.

Figure 1 above is expressed in Australian dollars. The apparent downward trend in Japan’s Petroleum and Coal Tax collection is largely due to exchange rate changes rather than a reduction in fossil fuel volumes or declining revenue in Japanese yen.

TAXING GAS IN AUSTRALIA AND JAPAN - UPDATE

This raises the question of whether Japan raises more tax revenue specifically from Australian gas than the Australian Government does via PRRT on Australian gas (LNG) exports. While Japan's NTA does not publish separate data on how much money is raised from applying the Petroleum and Coal Tax to Japan's imports from each country, trade statistics from Japan's Ministry of Economy, Trade and Industry show that around 41% of Japan's LNG imports are sourced from Australia. For example, in 2023-24, Japan imported a total of 64.9 million tonnes of LNG, of which 26.6 million tonnes came from Australia.¹⁰

If 41% of revenue raised by Japan's tax on gas imports is based on Australian LNG, then Japan would have raised AUD \$3.7 billion from Australian gas over the five years in Figure 1, or AUD \$732 million per year or \$61 million per month. Table 1 shows the estimated tax the Japanese government collected from its LNG imports sourced from Australia.

Table 1: Japan import taxes on LNG from Australia, \$AUD million

| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|--|---------|---------|---------|---------|---------|
| Tax on LNG imports into Japan | \$2,172 | \$1,909 | \$1,770 | \$1,663 | \$1,405 |
| Australia's share of LNG imports into Japan | 41% | 41% | 41% | 41% | 41% |
| Tax on Australian LNG imports into Japan | \$891 | \$783 | \$726 | \$682 | \$576 |

Sources: Japan's National Tax Agency (2026), Ministry of Economy, Trade and Industry (2025)

By contrast, Australia's PRRT raised nothing from LNG exports until at least 2023 when Treasury noted that "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."¹¹ The year 2023 is significant because the Albanese Government made changes to PRRT that applied from 1 July 2023. These changes limited the tax deductions that could be used in any one year, resulting in several LNG projects paying the tax for the first time in the 2023-24 financial year.

The Australian Taxation Office provided an updated estimate to the *Senate Inquiry* on how much PRRT had been paid by LNG projects:

¹⁰ Ministry of Economy, Trade and Industry (2025) *Yearbook of mineral resources and petroleum product statistics*, p80, <https://www.meti.go.jp/statistics/tyo/sekiyuka/pdf/h2dhhpe2024k.pdf>

¹¹ Australian Government (2023) *Budget Paper #1 Strategy and Outlook*, p180. https://archive.budget.gov.au/2023-24/bp1/download/bp1_2023-24.pdf

As of 24 April 2026, we have recorded the total amount of PRRT paid from LNG projects since the introduction of the deductions cap is \$1.2 billion.¹²

With \$1.2 billion paid over the 34 months from July 2023 to April 2026, this averages out to \$35 million per month or \$424 million per year.

Japanese data for this full period is not yet available. However, noting that \$576 million was raised in 2023-24 and assuming the average revenue of the last five years (\$61 million per month) continues for the remaining 22 months, we estimate that Petroleum and Coal Tax receipts on Australian LNG for the period will be \$1.9 billion. In other words, it is highly likely that the Australian Government is still raising less tax revenue on Australian gas exports than Japan is raising by taxing imports from Australia.

CONCLUSION

It is absurd that the Japanese Government raises more money from taxing Australian gas exports than the Australian Government does. But this is just the latest absurd demonstration that Australians do not get a fair return for the sale of their resources – as mentioned earlier, Australia raises more money from beer excise than it does from PRRT, a fact that has had a significant impact on public discussion.

Budgets are about choices. The Australian federal budget has shown that the Australian Government is still choosing to put the interests of multinational gas companies and the Japanese Government ahead of the interests of ordinary Australians.

¹² Australian Taxation Office (2026) *Senate Select Committee on Taxation of Gas Resources, answers to questions on notice*,
https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Taxation_of_Gas_Resources/TaxationofGasResources/Additional_Documents