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Wood Mackenzie modelling of gas export taxes

The Wood Mackenzie modelling is mostly irrelevant to the gas industry in Australia. They modelled a gas project that doesn't exist, a tax proposal no one is asking for, and claimed that it would lead to a country no one would invest in.

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INTRODUCTION

Recent 'economic modelling' commissioned by *Energy Producers Australia* (EPA)[1], undertaken by *Wood Mackenzie*[2] on the impacts of a 25% gas export tax has been quickly and fully embraced by the fossil-fuel companies, and other lobby groups like the *Business Council of Australia* (BCA). These groups have used the 'modelling' to claim that a 25% gas export tax would cause all sorts of problems for Australia, from higher gas and energy prices, gas and petrol shortages, a flight of foreign investment to other countries, and harm to diplomatic relations with Australia's trading partners.[3]

[1] AEP (2026) *Gas tax proposal would make Australia "uninvestable" and threaten future energy supply, report finds*, https://energyproducers.au/news/gas-tax-proposal-would-make-australia-uninvestable-and-threaten-future-energy-supply-report-finds

[2] Wood Mackenzie (2026) *Analysis of proposed LNG export windfall levy: potential impact on energy project economics and fiscal competitiveness*, https://energyproducers.au/hubfs/Wood%20Mackenzie%20-%20Analysis%20of%20Proposed%20Windfall%20Levy.pdf

[3] Black (2026) *A new gas tax would worsen Australia's supply problem*, AFR op-ed 15 Apr 2026, https://www.afr.com/politics/federal/a-new-gas-tax-would-worsen-australia-s-supply-problem-20260415-p5zo1v

But analysis of the *Wood Mackenzie* report shows that rather than modelling the impacts of a 25% gas export tax on the Australian gas industry and the wider economy, they modelled something very, very different.

Instead, they modelled:

1. A natural gas project that does not exist.
2. A tax proposal no one is asking for.
3. To suggest Australia is a country no one would invest in.

Quite simply, the *Wood Mackenzie* modelling is close to completely irrelevant to the Australian gas industry and the current policy debate. It is a theoretical exercise vastly removed from the reality of the Australian and global natural gas industries.

A GAS PROJECT THAT DOES NOT EXIST

In claiming to model the impacts of a 25% gas export tax, *Wood Mackenzie* did not attempt to model the impacts of the tax on the Australian gas industry.

Instead, they invented a *hypothetical*, yet to be built, natural gas project, presumably based in Australia, then analysed the potential impacts of a 25% gas export tax on that project alone. They also modelled three other proposals: a surplus profit tax, a surplus revenue tax, and a lift in the company tax rate.

In the words of the *Wood Mackenzie's* authors:

> Our analysis relies on several generalised model inputs and assumptions, including the mechanism applied to calculate the windfall levy; the representative analogue project

And:

> To avoid introducing project-specific factors and to ensure comparability with other fiscal structures, a standardised hydrocarbon development analogue is used as the basis of our calculations of project economics.

Quite simply, a "standardised hydrocarbon development analogue" is a *hypothetical* future gas project that no fossil fuel company has ever proposed to build, or would ever likely propose to build.

It is not clear why *Energy Producers Australia* or *Wood Mackenzie* chose this approach.

Wood Mackenzie has extensive experience in energy market analysis, and a number of economic models of the Australian gas industry already exist. For example, the

Australian Energy Market Operator (AEMO) uses ACIL Allen's *GasMark* model to model a wide range of future gas market scenarios.[4]

The *hypothetical* gas project then goes on to collect a staggering amount of PRRT and company tax revenue over its operational lifetime. In theory, the *hypothetical* gas project collects a significant amount of PRRT, defying the reality of tax collected from the Australian gas industry.

According to the modelling, the *hypothetical* gas project collects 35% of pre-tax cash flow as PRRT, and 19% of pre-tax cash flow as company tax. All up, the *hypothetical* gas project is assumed to collect 57% of pre-tax cash flow in total taxes.

But no one has ever argued that the PRRT works in practise as it does in theory. In reality, it collects very little revenue. This is the very reason there is an ongoing public debate about the need for tax reform in the gas industry.

In practise, the PRRT collects so little revenue that Shell, part-owner of the biggest natural gas project in Australia, Gorgon in Western Australia, told its shareholders in 2021 that it expected, under the then-current fiscal settings and gas prices, to never pay PRRT.[5]

The Budget papers also show just how little revenue the PRRT collects compared to gas exports. Indeed, most of the PRRT collected is from old oil fields in the Bass Strait.[6] Figure 1 shows the comparison between Australia's natural gas exports and PRRT revenue, compared to transport fuel taxes paid by Australians.

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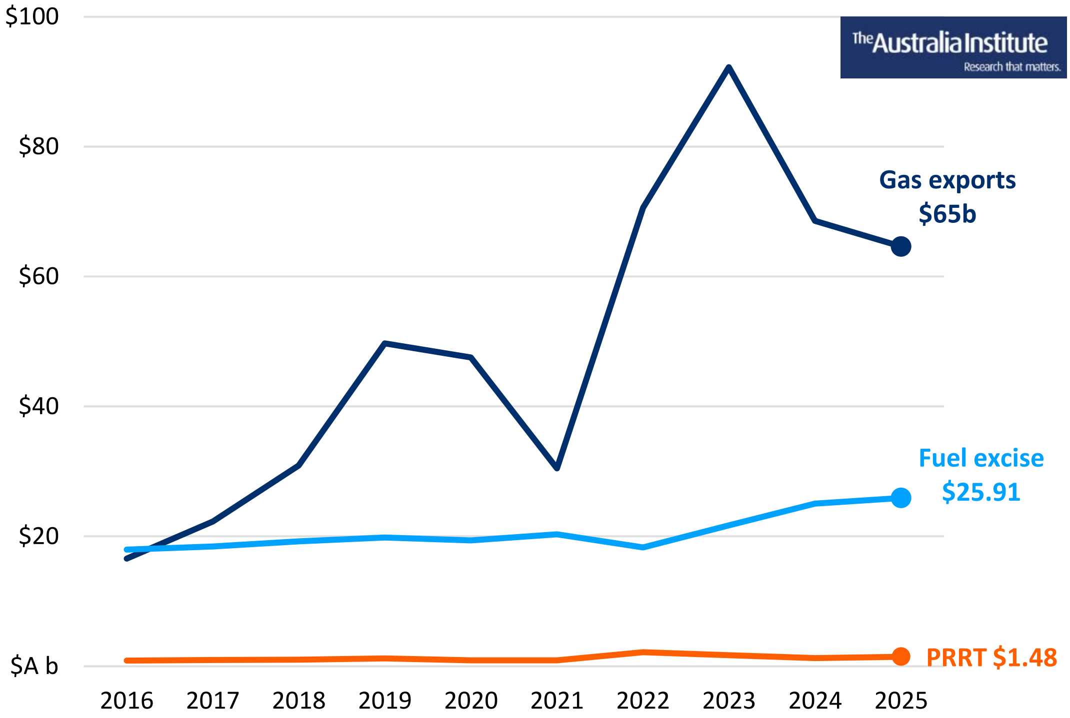
[4] See for example: ACIL Allen (2025) *Wholesale natural gas prices for AEMO - Final Report*, https://www.aemo.com.au/energy-systems/gas/gas-forecasting-and-planning/gas-statement-of-opportunities-gsoo

[5] Butler (2021) *Shell expects to pay Australia no resource tax on gas drawn from Gorgon project*, https://www.theguardian.com/business/2021/apr/12/shell-expects-to-pay-australia-no-resource-tax-on-gas-drawn-from-gorgon-project

[6] A number of government injuries and reviews have found that the PRRT, as originally designed for oil projects, does generate revenue from oil projects, but is 'less effective' for LNG projects. For example, Treasury (2017) *Review of the Petroleum Resource Rent Tax*, https://treasury.gov.au/review/review-of-the-petroleum-resource-rent-tax

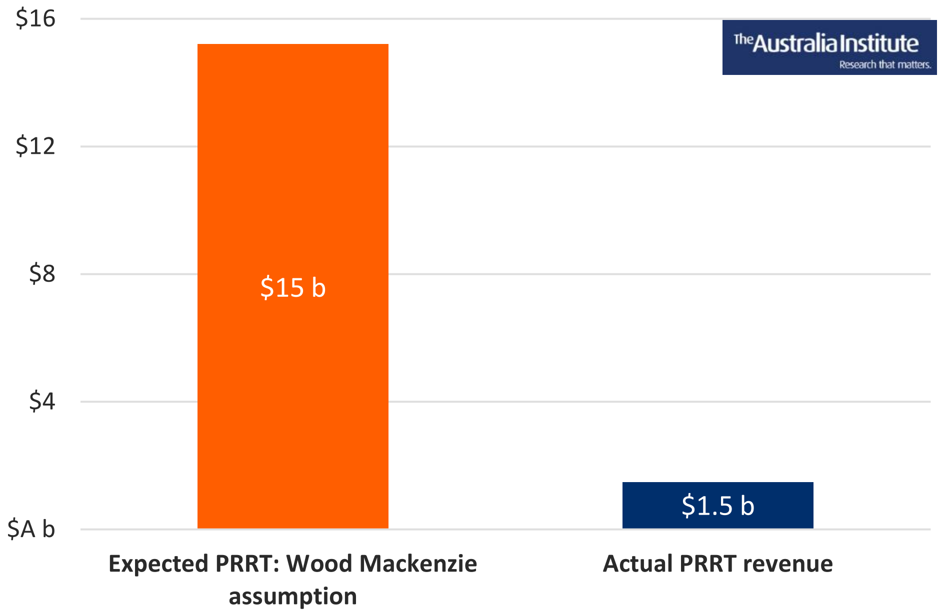
Figure 1: Natural gas exports and PRRT revenue compared to transport fuel taxes, $ billion



Source: PBO (2026) Historic fiscal data, Table 5, https://www.pbo.gov.au/publications-and-data/data-and-tools/data-portal/historical-fiscal-data

Based on the *Wood Mackenzie* modelling and using 2024-25 Australian gas export prices, if the PRRT generated the same rate of revenue assumed in the *hypothetical* gas project, then the PRRT should have raised around $15.2 billion in 2024-25. Figure 2 compares actual PRRT revenues in 2024-25 to what would have been collected under the assumed rate in the *Wood Mackenzie* modelling.

Figure 2: Actual PRRT revenue vs expected revenue using Wood Mackenzie modelling assumptions, $ billion, 2024-25



Source: Analysis of PBO (2026) & DISR (2026) *Resources and Energy Quarterly*, https://www.industry.gov.au/publications/resources-and-energy-quarterly-december-2025

If the PRRT did generate revenue in a similar magnitude to that assumed in the *Wood Mackenzie* modelling, it is unlikely there would be a debate about the need for 25% export tax, and the Prime Minister would have been unlikely to ask Treasury for advice on the taxation of the gas industry and reforms to the PRRT.[7]

A TAX PROPOSAL NO ONE ASKED FOR

Having first modelled a *hypothetical* gas project that collects 35% of pre-tax cash flow as PRRT, and 19% in company tax, *Wood Mackenzie* then models a number of *new taxes* in addition to the existing taxes.

That is, they then model the impacts of both the PRRT and a 25% export tax at the same time. *Wood Mackenzie* has effectively modelled tax scenarios that no one has asked for.

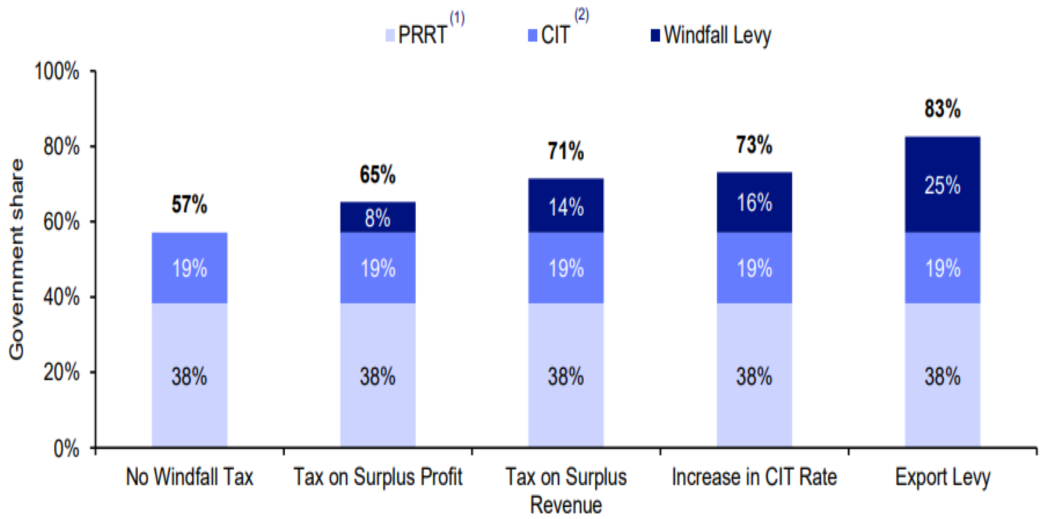
There are no scenarios presented in the *Wood Mackenzie* report that replace the PRRT with a 25% gas export tax.

[7] Roe (2026) *Prime minister's department requests modelling for gas and coal tax to shield Australia from impact of war*, https://www.abc.net.au/news/2026-03-20/government-explores-new-tax-for-gas-coal-to-buffer-fuel-costs/106475100

It is not clear why *Energy Producers Australia* or *Wood Mackenzie* chose this approach.

Figure 3, from the *Wood Mackenzie* report, shows how the new taxes are modelled as *additional* taxes on top of the existing PRRT and company tax assumptions.

Figure 3: Breakdown of government share under different windfall levy mechanisms at US$120/bbl Brent oil price



Sources: Wood Mackenzie (2026), p. 3

The far-left column shows the current tax settings for the *hypothetical* gas project, where it is assumed that 38% of pre-tax cash flow is collected by the PRRT, and 19% from company tax. A total of 57% of pre-tax cash flow is assumed to be collected from the various tax sources.

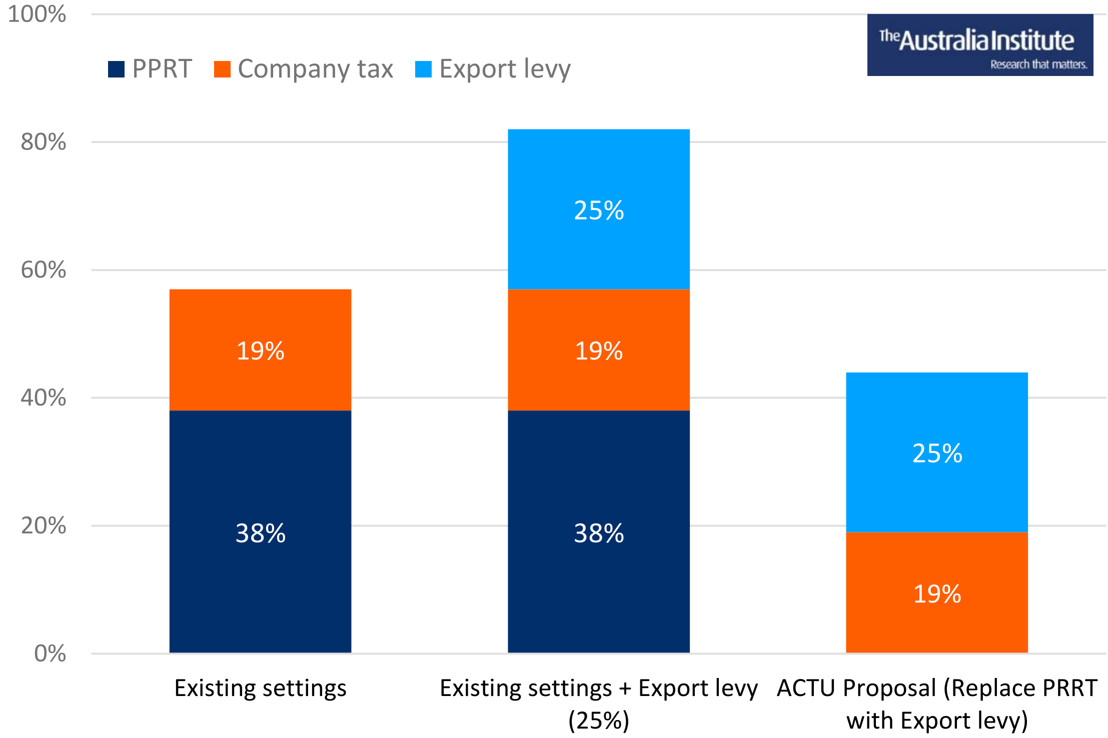
The far-right column, the *export levy* scenario, shows the modelling of the 25% gas export tax. In this scenario, 38% of pre-tax cash flow is still assumed to be collected by the PRRT, plus an **additional** 25% from the new gas export tax.

In the *export levy* scenario, a total of 82% of all pre-tax cash flow from the *hypothetical* gas project is assumed to be collected from the various tax sources.

But, if the PRRT were removed from the *export levy* scenario, then only 44% of the pre-tax cash flow would be collected in tax. 44% is less than the 57% that is presumably, in theory, currently collected under existing tax settings.

Figure 4 shows the comparison between the *No windfall tax*, and the *Export levy* scenarios, with a new scenario where the PRRT is replaced with a 25% export tax and labelled as the *ACTU proposal*.

Figure 4: Breakdown of government share with and without the PRRT and 25% export tax



Sources: Analysis of Wood Mackenzie (2026)

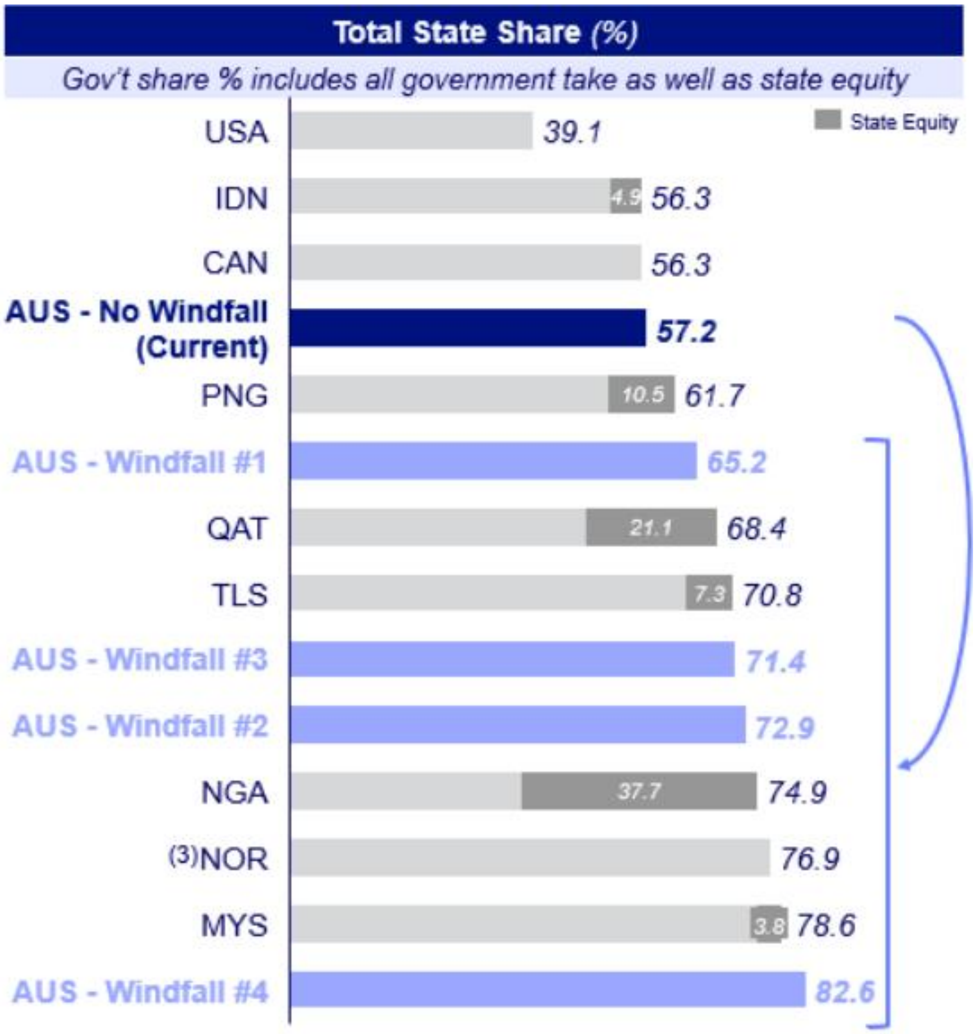
The data in Figure 4 is clear. According to the *Wood Mackenzie* modelling, if it is accurate, the gas industry would pay less tax than it does now if the Australian Government replaced the PRRT with a 25% gas export tax. The total tax paid by the gas industry, if the *Wood Mackenzie* modelling is accurate, would fall from 57% of pre-tax cash flow, down to around 44% pre-tax cash flow.

SUGGESTING A COUNTRY NO ONE WOULD INVEST IN

Having developed a *hypothetical* gas project that pays 57% tax under current fiscal settings, and 82% **after** the imposition of a 25% export tax, the authors of the *Wood Mackenzie* report compared these unrealistic tax rates to the taxes paid by the gas industries in the other major gas-producing countries to show Australia is a place that no one should invest in.

According to the *Wood Mackenzie* modelling, if accurate, before the imposition of a 25% gas export tax, Australia has the fourth lowest tax-take across the major gas exporting countries. After the introduction of a 25% gas export tax, Australia has the highest tax take. This is shown in Figure 5, taken from the W*ood Mackenzie* report, where the 25% export tax scenario is labelled as *AUS – Windfall #4*

Figure 5: Wood Mackenzie modelling, government share of pre-tax cash flow in gas projects



Sources: Analysis of Wood Mackenzie (2026)
Notes: AUS = Australia / USA = United States of America (Gulf of Mexico) / CAN = Canada (British Columbia) / NOR = Norway / QAT = Qatar / PNG = Papua New Guinea / TLS = Timor Leste / NGA = Nigeria / MYS = Malaysia (Deepwater) / IDN = Indonesia (Profit Sharing Contract)

As shown in Figure 5, the modelling, if accurate, suggests that the introduction of a 25% export tax makes Australia the worst place in the world to invest in the gas industry.

What *Wood Mackenzie* report forgets to show, however, is that if the PRRT were replaced by a 25% gas export tax, then Australia, according to the modelling, would have the second **lowest** tax-take amongst the major gas exporting countries.

As noted in the previous section, according to the *Wood Mackenzie* modelling, replacing the PRRT with a 25% gas export tax would lower current tax-take from 57% down to 44%. According to Figure 5, that would be the second lowest tax-take behind the USA. That then suggests Australia would have improved its attractiveness to foreign investors in the gas industry.

It is not clear why *Energy Producers Australia* or *Wood Mackenzie* chose not to mention the likely improvement in the attractiveness of the Australian gas industry to foreign investors following the replacement of the PRRT with a 25% export tax.

CONCLUSION

If the *Wood Mackenzie* modellers believe their modelling to be remotely accurate, it is difficult to understand why they forgot to mention that replacing the PRRT with a 25% gas export tax would improve the profitability of the Australian gas industry.

Is it the case that the *Wood Mackenzie* modellers believe the companies represented by *Energy Producers Australia* prefer to pay more tax rather than less? Have *Energy Producers Australia* instructed *Wood Mackenzie* to model scenarios that mean their members are suddenly keen to pay more tax, rather than less?

Or, is the modelling simply misleading, the policy recommendations blindly accepted by all who want to believe them, and the modelling methodology left unread? Some mysteries may never be solved.

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