

How will Australia pay for AUKUS?

The cost of AUKUS is unknown. The widely-used estimate of \$368 billion over 30 years is based on a three-year old, one-page estimate with no working provided. Assuming a cost in the low-tens-of-billions per year, AUKUS could be paid for by raising taxes, such as a \$17 billion tax on gas exports, cutting spending, perhaps the \$21 billion spent on private schools, or with higher debt which could result in around \$15 billion per year in interest payments.

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The AUKUS trilateral security partnership fails to deliver even the most basic levels of transparency. The partnership was negotiated and struck in secret by the then-Morrison Government and supported by the Albanese Shadow Cabinet without approval from the Labor Caucus or broader party.¹

It has been reported that AUKUS was even kept secret from most of the national security cabinet for nearly a year and that its announcement took Australia's Pacific allies by surprise.²

¹ Carr (2023) *Labor was presented with a fait accompli on Aukus, but scepticism in the party is rightly rising*, <https://www.theguardian.com/commentisfree/2023/mar/22/labor-was-presented-with-a-fait-accomplish-on-aukus-nuclear-submarines-but-scepticism-in-the-party-is-rightly-rising-kim-carr>

² Middleby, Powles and Wallis (2021) *AUKUS and Australia's relations in the Pacific*, <https://eastasiaforum.org/2021/11/04/aukus-and-australias-relations-in-the-pacific/>; Begley and

This secrecy has been one of the few constants of the AUKUS program over the last five years. Australians have often had to rely on government processes in the United Kingdom or the United States to learn basic facts about a partnership with significant implications for Australia's future.³

One simple question that successive governments have failed to answer is 'how will Australia pay for AUKUS?'

Whenever suggestions are made for additional spending on education, health, climate mitigation, the arts or environmental protection, questions are immediately asked about how the new proposal will be financed. However, neither the Government nor the Opposition have expressed any concern about how to pay for AUKUS, most notably the nuclear submarine deal that forms part of AUKUS Pillar 1. In the words of Josh Frydenberg, Treasurer at the time AUKUS was signed, "Everything is affordable if it's a priority. This is a priority."⁴

Mr Frydenberg is correct. Australia is one of the richest countries in the world and as a nation we can afford to do almost anything that is considered a priority. We cannot, however, afford to do everything that is claimed to be a priority. Inevitably there will be trade offs. This submission attempts to put the cost of AUKUS, or at least the estimates available, in the context of the Australian Government budget to examine what some of these trade offs might be.

HOW MUCH WILL AUKUS COST?

The cost of AUKUS submarines is murky; there is no central and transparent accounting for all relevant spending.⁵

The main figure used in relation to the cost of AUKUS is \$368 billion over 30 years. This figure was provided by the Department of Defence to the Parliamentary Budget Office

Ferguson (2023) *Former prime minister Scott Morrison defends secrecy of early AUKUS plans*, <https://www.abc.net.au/news/2023-03-14/scott-morrison-defends-secrecy-of-early-aukus-plans/102094886>

³ Crowe (2026) *'Cracks are already beginning to show': AUKUS is in trouble, UK probe warns*, <https://www.smh.com.au/world/europe/cracks-are-already-beginning-to-show-aukus-is-in-trouble-uk-probe-warns-20260428-p5zrie.html>

⁴ Hartcher (2022) *Radioactive: Inside the top-secret AUKUS subs deal*, <https://www.smh.com.au/politics/federal/radioactive-inside-the-top-secret-aukus-subs-deal-20220510-p5ak7g.html>

⁵ Hellyer (2023) *Getting a clear view of the cloudy budget for Australia's nuclear submarine program*, <https://strategicanalysis.org/getting-a-clear-view-of-the-cloudy-budget-for-australias-nuclear-submarine-program/>

(PBO) in early 2023 in response to a request from then-Greens leader Adam Bandt for “a breakdown of the cost of the nuclear-powered submarines to be acquired under the AUKUS agreement, over the life of the program.”⁶

It is worth noting that three years later, this same estimate is still the best information the Australian public has about the overall cost of the program. The continued use of this estimate might be reasonable if it was based on rigorous and transparent analysis, but it is not.

The entire response to Mr Bandt’s question, on which all public discussion of the cost of AUKUS is based, is less than a page. It is a one-line table with three dot points of “sensitivities and qualifiers”. The table provided by the PBO is reproduced below, under its original heading:

Table 1: The cost of nuclear submarines – whole-of-program costs (\$b)

2023-24 to 2026-27	2027-28 to 2032-33	2033-34 to 2042-43	2043-44 to 2052-53	2053-54 to 2054-55	Contingency	Total (incl. contingency)
9.1	48.5	81.7	87.9	17.5	122.9	367.6

Source: Department of Defence, via Parliamentary Budget Office

Even the most basic details about this estimate are absent from Defence’s explanations. It is not clear if they are adjusted for inflation, or if so how. It is not clear what exchange rate was used in the estimates, only that the estimates are “subject to regular adjustments to cater for foreign exchange variations”. No such adjustments have been made public. It is not clear what “contingent events” trigger the occurrence of the contingency expenses, or in what years these events might arise. It is not clear how much of these costs would come from existing defence budgets or what is additional.

Defence states these costs represent upper-bound estimates. However, defence spending in Australia and around the world has a strong tendency for cost overruns. For example, the Australian National Audit Office’s latest Major Projects Report assessed 21 major defence projects; only 8 of these projects had no total scheduled slippage, and their total ‘budget variation’ (a proxy for cost overruns) since government second pass approval was \$37.2b.⁷ The Defence/PBO costing also likely does not include several related costs, such as resources spent extending the life of

⁶ PBO (2023) *The cost of nuclear submarines*, <https://www.pbo.gov.au/publications-and-data/publications/costings/the-cost-of-nuclear-submarines>

⁷ Australian National Audit Office (2025) *2024-25 Major Projects Report*, <https://www.anao.gov.au/work/major-projects-report/2024-25-major-projects-report>

Australia's existing Collins-class submarines to bridge the gap until the AUKUS submarines are meant to be delivered.⁸

A more recent PBO costing places the cost of AUKUS up to 2028-29 at \$17.95 billion, and the total up to 2035-36 at \$83.3 billion.⁹ These newer figures cannot be directly compared but may indicate a higher overall cost to the program than the PBO's 2023 estimate.

Ultimately, no one knows how much AUKUS will cost and those who have the clearest idea of the cost are choosing not to share their knowledge with the public. From the available estimates, it appears that the cost will average in the low tens of billions each year, with most costs being incurred between the mid-2030s and mid-2050s.

HOW WOULD YOU LIKE TO PAY FOR THAT?

Broadly, there are three options available to the Commonwealth Government to pay for additional spending: raise more revenue, cut spending on other budget measures, or increase debt.

Raise revenue

Perhaps the most obvious way to pay for AUKUS is to raise more government revenue. In the current budget year, the Commonwealth Government expects to raise \$760 billion in total revenue, so an extra AUKUS cost of perhaps \$15 billion per year represents an extra 2%.¹⁰

As noted above, Australia can afford to do this. Australia is a low-tax country, with one of the lowest tax collection rates relative to the size of the economy among developed countries. Of the 38 economies in the Organisation for Economic Cooperation and Development (OECD), only eight have lower tax collection than Australia, and these include relatively low-income countries like Türkiye and Mexico, as well as tax havens

⁸ McIlroy (2026) *Australian taxpayers to pay \$11bn to extend lifespan of ageing Collins-class submarines amid Aukus delay*, <https://www.theguardian.com/world/2026/may/19/richard-males-11bn-collins-class-submarines-aukus-delay>

⁹ PBO (2025) *End AUKUS*, <https://www.pbo.gov.au/elections/2025-general-election/2025-election-commitments-costings/end-AUKUS>

¹⁰ Commonwealth Government (2026) Budget 2026-27: Budget Paper No. 1, see Table 5.5, https://budget.gov.au/content/bp1/download/bp1_2026-27.pdf

like Switzerland and Ireland. Australia would need to raise an extra \$140 billion per year in tax revenue to reach the OECD average, similar to Canada or New Zealand.¹¹

Australia could raise enough revenue to pay for AUKUS in many ways. Some of the more equitable and efficient would be:

- Taxing gas exports. A 25% tax on liquified natural gas exports, as proposed by the Australian Council of Trade Unions, could raise around \$17 billion per year.¹²
- End diesel tax loopholes. The Fuel Tax Credit Scheme costs over \$10 billion per year and mainly benefits coal and iron ore companies. It is widely considered an inefficient fossil fuel subsidy.¹³
- Cut superannuation tax concessions that mainly benefit the wealthy and cost up to \$20 billion per year.¹⁴

Other options would be to increase existing taxes – a 5% increase in personal income tax or a 10% increase in company tax would offer revenue increases in the order of the estimated costs of AUKUS.

Cut spending

An alternative to raising taxes to pay for AUKUS is to cut spending. If this is the preferred option chosen by the Government and the Opposition, then, these preferences should be made explicit. Government budgets are a statement of the priorities of the Government, and by choosing to cut other programs to offset the cost of AUKUS, this is a statement that the AUKUS submarine deal is viewed by the Government and Opposition as a higher priority than other areas of spending.

Spending programs of the general magnitude of AUKUS costs are summarised in Table 2 below:

¹¹ The Australia Institute (2024) *Australia is a low-tax country*,

<https://australiainstitute.org.au/post/australia-is-a-low-tax-country-3/>

¹² Denniss and Saunders (2026) *We have already missed out on \$63.8 billion in taxes from gas exports*,

<https://australiainstitute.org.au/report/we-have-already-missed-out-on-63-8-billion-in-taxes-from-gas-exports/>

¹³ Campbell et al (2024) *Australia's Fuel Tax Credits and the debate over fossil fuel subsidies*,

<https://australiainstitute.org.au/report/australias-fuel-tax-credits-and-the-debate-over-fossil-fuel-subsidies/>

¹⁴ Jericho (2025) *Raising revenue right: better tax ideas for the 48th parliament*,

<https://australiainstitute.org.au/report/raising-revenue-right-better-tax-ideas-for-the-48th-parliament/>

Table 2: Selected Commonwealth Government programs by expense

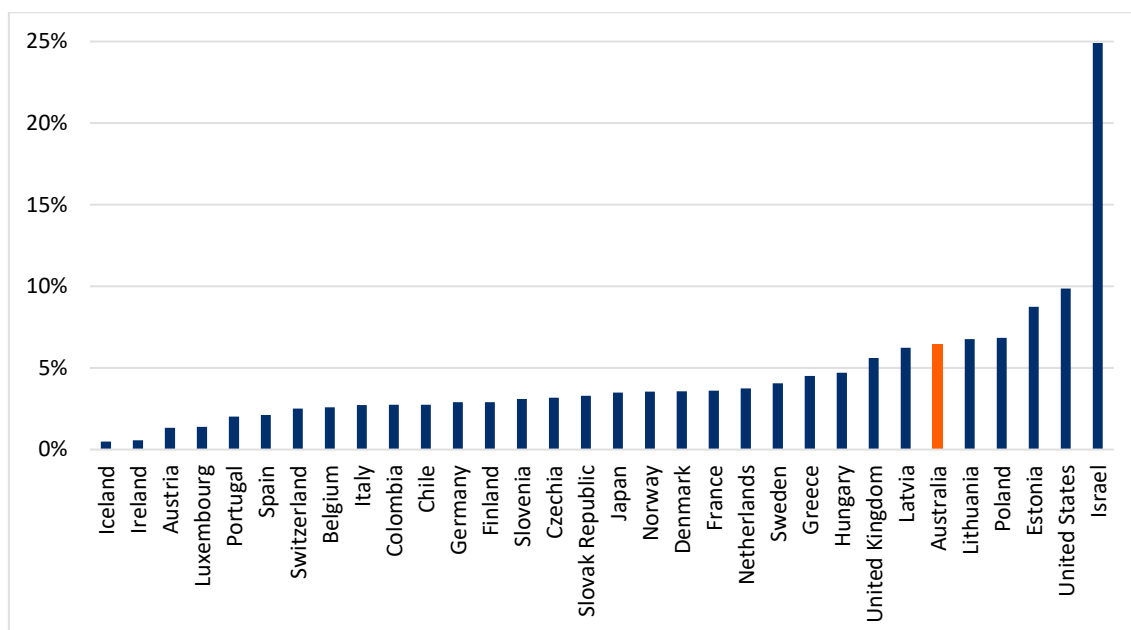
Program	Cost (2026-27, \$m)
Pharmaceutical Benefits Scheme	\$23,448
Non-government Schools Support	\$21,437
Job Seeker	\$18,304
Child Care Subsidy	\$16,917
Financial Support for Carers	\$13,424
Government Schools National Support	\$12,970
Army Capabilities	\$10,769

Source: Budget 2026-27: Budget Paper No. 1, Table 6.1.3

As shown in Table 2, the cost of AUKUS appears to be in the order of spending programs such as the Pharmaceutical Benefits Scheme, Job Seeker unemployment benefits, Child Care Subsidy, the Australian Army and funding for both private and public schools. It is unlikely that a government would cut an entire program to pay for AUKUS, as this would have profound impacts on huge numbers of Australians and would likely be extremely unpopular. Instead, cuts to many different programs would be more likely in order to minimise political fallout.

Note that Australia already has relatively high spending on defence. As shown in Figure 1, Australia spends proportionately more on defence than most OECD countries.

Figure 1: Defence expenditure as a proportion of general government revenue, 2024



Source: OECD

As shown in Figure 1, the Australian Government spends similar relative amounts on defence as Poland, Lithuania, Latvia and Estonia. This seems unusual given that these countries border Russia and have long-held fears of Russian invasion, while Australia is in no danger of being invaded by another country.

Higher debt

A final option available to the Commonwealth Government is to simply incur a higher level of debt than would otherwise be the case. It is not clear whether the existing PBO cost estimates discussed above include any debt-related costs. Assuming they do not, with no efforts to increase tax revenue or curtail other spending, then the cost of AUKUS could increase government debt by its full value of \$368 billion (plus interest).¹⁵ If this total were borrowed immediately, interest payments would reach \$15 billion per year, assuming a government borrowing rate of around 4%.

According to the most recent budget figures, the Commonwealth Government's net debt stood at \$616.6 billion. Adding over \$367.6 billion in additional debt would increase net debt by 60% to nearly \$1 trillion (\$984.2 billion).

CONCLUSION

There is no 'right' answer to the question 'how to pay for AUKUS'. Democracies are free to make decisions on how to spend, tax, and incur debt based on whatever the public decide to prioritise. However, for this process to properly function, Governments must be clear about how these decisions are made and on what basis. The AUKUS submarine deal has not been justified; it has simply been stated. It is for the Government to explain how it will be paid for.

¹⁵ The exact amount depends on the exact timing of expenditures, earlier expenditures mean there will be additional years of higher debt repayments. It is not fully clear when all expenditures will occur, particularly due to the large (\$122.9b) contingency component of the cost.