BCA
Business Council of Australia

BCA Submission

Select Committee on the Taxation of Gas Resources

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Contents

Overview **2**

Main points **4**

A time to build energy resilience and work with trading partners 4

Investment competitiveness drives Australia's prosperity 5

Policy instability has damaged investor confidence in the past 5

Gas is a significant contributor to the national economy 6

Gas is a key enabler of the region's energy transition 7

Overview

The Business Council of Australia (BCA) welcomes the opportunity to provide a submission to the Select Committee on the Taxation of Gas Resources.

It is the BCA's strong contention that the imposition of an additional tax burden on Australia's gas production and exports now or at any time in the future would be entirely counter to the interests of our economy, community and region.

A time to build energy resilience and work with trading partners

The current conflict in the Middle East is a sobering reminder of the vulnerability of our economy to global energy shocks. The strength of Australia's regional relationships and sovereign energy capability are critical determinants of our resilience to such energy shocks.

The BCA fully concurs with the Prime Minister's recent statements emphasizing the high mutual dependence between Australia and its regional partners in navigating the current energy crisis.

> *"Just as we expect countries that supply us to stick to agreements which are there, we think it's very important that the contracts that we have be fulfilled completely with countries in our region. That's the quid pro quo, if you like. And I think that is very important as we go forward. So, to be clear, our first priority is supply. Supply depends upon those relationships being adhered to."*[1]

The BCA highlights the collaboration, coordination and goodwill demonstrated in recent weeks between governments and industry participants — within Australia and with our regional partners — in response to the current energy crisis.

For the longer term, this collaboration and goodwill must continue in order for Australia to strengthen its sovereign energy capability, which will require continued investment in gas resources, liquid fuel security and the roll out of renewables. Greater energy resilience feeds into Australia's economic resilience in other areas including manufacturing and mining, where commercial and industrial gas users require an ongoing supply of affordable gas while there are no ready alternatives.

This is a time to be fortifying our key regional relationships and encouraging investment in Australia's sovereign energy capability, rather than penalising investors and 'burning our bridges' with reactive and unpredictable changes to Australia's energy policy settings.

Investment competitiveness drives Australia's prosperity

The attractiveness of Australia as an investment destination underpins the productivity potential of our economy and the living standards of all Australians. The BCA Global Investment Competitiveness Index shows that while we have strengths in some areas, we also have significant work to do in others, if we are to continue to attract global capital to our industries. Other nations are also chasing this pool of global capital and it is not a given that Australia will be the preferred destination.

In 2025 Australia ranked very strongly on trade (2nd) but very poorly on business taxation (38th) against 41 other nations. An increase in the gas sector's tax burden, whether it be for existing or new projects, can only hurt our international competitiveness in an area where Australia is already ranking poorly.

[1] Prime Minister Anthony Albanese - Transcript - Question And Answer - National Press Club - Canberra - Thursday, 2 April 2026

Policy instability has damaged investor confidence in the past

When changes to regulatory settings are unpredictable and significant, investor confidence is shaken, not only in the sector directly impacted, but in terms of Australia's reputation as an investment destination more broadly. This effect is particularly acute in the gas sector because projects operate on long cycles that can extend for many decades, from exploration through to development, production and decommissioning.

The BCA fully concurs with the head of the International Energy Agency's statements emphasizing the value of Australia's reputation as a trustworthy partner in this regard.

> *"I would be very careful to implement sudden, abrupt changes to the tax regimes," … I would be thinking: what are the implications for getting further investments? Because … energy investors are like butterflies: if they are scared, they fly away."*[2]

The range and significance of changes to Australia's gas market regulatory settings over the past two decades speaks to the enormous challenges faced by the gas sector — including persistent supply shortfall risks on the east coast — and the implications for Australia's broader energy affordability and reliability.

Key regional partners, such as Japan and South Korea, have expressed serious concerns in the past about the reactive and unpredictable nature of some of these changes and the potential impact on their capital investments (as shareholders in LNG projects) and their supply contracts (as buyers of LNG). On recent tours of Asia, the BCA has been reminded by our regional partners that they are considering a range of other LNG supplier options, including the United States and Canada.

The Australian Government's recent Gas Market Review is an opportunity to address these challenges decisively and more effectively than in the past, thereby encouraging steady investment in new gas supply capacity. We note that imposing an additional tax burden on the gas sector, whether it be for existing or new projects, is counter to the ambitions of the Gas Market Review and risks deterring investment and driving up domestic energy prices as a result.

Gas is a significant contributor to the national economy

Australia's gas sector is a significant contributor to the national economy in terms of its regional trading relationships, capital investment, export income, job creation, production of input and end use products, and payment of taxes and royalties. In 2021-22 the sector represented 3.7 per cent of Australia's GDP and supported about 215,000 full time equivalent jobs.[3]

A recent analysis by Wood MacKenzie[4] estimates that Australian oil and gas projects have an effective tax rate of about 53 to 58 per cent (based on the Corporate Income Tax and the Petroleum Resource Rent Tax). Both of these taxes are inherently profit based mechanisms that capture additional tax revenue when energy prices increase. It is also important to note that the design of the Petroleum Resource Rent Tax means that payments are generally lower in the early years of a project's production life, and higher as revenue exceeds deductable costs (including capital expenditure) in later years.

Gas is a key enabler of the region's energy transition

It is not possible to build an affordable and secure energy system without gas as the world transitions to net zero.[5] As outlined in the Australian Government's Future Gas Strategy, gas is a key enabler of the domestic

[2] Dr Fatih Birol, Executive Director, International Energy Agency, Addresses the National Press Club of Australia on "The Outlook for Global Energy Markets and implications for Energy Security, Competitiveness and Sustainability", 23rd March 2026.
[3] KPMG, Economic contribution of the gas industry, December 2024.
[4] Wood MacKenzie, Analysis of proposed LNG export windfall levy: potential impact on energy project economics and fiscal competitiveness, April 2026.
[5] The Hon Madeleine King MP Minister for Resources and Minister for Northern Australia, Why net zero will only be possible with natural gas, December 2024.

energy transition and that of our regional partners, as coal based energy (for the grid and industry) is gradually replaced with renewables supported by gas.[6]

While continued investment in Australia's LNG export facilities is a crucial option for many Asian economies seeking to balance their energy security, economic growth and decarbonisation objectives, these countries have a range LNG supplier options beyond Australia, including, as noted above, the United States and Canada. An increase in the gas sector's tax burden, whether it be for existing or new projects, is a direct financial disincentive to continued investment in Australia's LNG facilities and the ability to shift from higher to lower emission intensity energy.

Main points

A time to build energy resilience and work with trading partners

The current conflict in the Middle East is a sobering reminder of the vulnerability of all economies to global energy shocks. The IEA is responding to the energy market impacts of the conflict and continues to closely monitor the latest developments.[7]

- The IEA's Executive Director has said the combined impacts amount to *"the greatest threat to global energy security in history"*.
- The disruption to oil and gas flows through the Strait of Hormuz and attacks on energy infrastructure across the region have major implications for energy security and affordability — and for the world economy.
- This is the largest supply disruption in the history of the global oil market and the global supply of LNG has also been reduced by around 20 per cent.
- IEA Member countries unanimously agreed to carry out the Agency's largest ever release of emergency oil stocks to help address the market disruptions.

From Australia's perspective, the strength of our regional relationships and sovereign energy capability are critical determinants of our resilience to energy shocks.

The LNG supply chains connecting Australia to Japan and South Korea, and the refined fuel supply chains connecting Japan and South Korea to Australia, were not built overnight. They reflect decades of long term capital commitment, bilateral trust, and policy environments in each country that signalled reliability to investors and partners alike.

Those supply chains are not simply commercial arrangements. They are, in practical terms, a regional energy security architecture. Japanese and South Korean capital has been integral to financing Australian LNG development. Australian LNG has in turn enabled Japan and South Korea to maintain the refining and distribution capacity that comes back to Australia as refined fuel product.

Regulatory changes that alter the terms of this relationship, particularly those introduced rapidly and outside of established frameworks raise questions for investors and for partner governments, about whether the policy environment underpinning future energy investment remains stable. It is the next generation of LNG projects — those obtaining finance, and, looking at approvals, those that are necessary for the energy transition — whose investment case is most sensitive to these changes.

[6] Australian Government, Department of Industry Science and Resources, Future Gas Strategy, May 2024. https://www.industry.gov.au/publications/future-gas-strategy

[7] IEA, Key facts on the Strait of Hormuz, oil and gas markets, and the IEA's response. The Middle East and Global Energy Markets, April 2026.

Investment competitiveness drives Australia's prosperity

If Australia becomes less competitive for any reason, investment goes elsewhere, taking productivity, jobs, innovation and the future of Australians with it. We are competing in a global race for investment that underpins jobs, wages and living standards. Capital is increasingly mobile in a more competitive world. Businesses can choose where to invest, expand and create jobs and they do so where it is easiest, most predictable and most competitive to operate. That investment matters because it underpins almost everything Australians care about.

Australia does not save enough domestically to fund all worthwhile and nation-building investments. As a result, we rely heavily on foreign investment, particularly in capital intensive sectors like resources, energy, infrastructure and advanced manufacturing. The question is, will we continue to win that investment?

To understand how Australia stacks up as a competitor in the global race for investment, the BCA has developed the BCA Global Investment Competitiveness Index (GICI) comparing Australia with 41 countries across the investment fundamentals that matter most to decision makers.[8] The GICI draws on 17 international indexes across a range of indicators in regulation, trade, business taxation, labour markets, investment restrictions, rule of law, and energy.

As per above, Australia is ranked 2nd on trade but only 38th on business taxation. It follows that if we wish to attract more investment to our shores, we cannot afford to increase the tax burden applicable to key sectors with globally mobile capital.

Policy instability has damaged investor confidence in the past

Changes to regulatory settings create risk and uncertainty for industry participants in any sector, but especially in sectors like gas which are characterised by very large and very long lived capital investments. Developing major resource projects can have very long lead times from when a resource is discovered, to further evaluation, project design, government approvals and development before finally beginning commercial production. The task is highly complex and risky, and not all proposed projects make it past the exploration stage.

We note that the Australian Energy Market Operator and the Australian Competition and Consumer Commission persistently warn of structural gas supply shortages on Australia's east coast, driven by declining production in southern gas fields.[9] The range and significance of changes to Australia's gas market regulatory settings over the past two decades speaks to the enormous challenges faced by the gas sector and the implications for Australia's broader energy affordability and reliability.

The Australian Government's Gas Market Review is an opportunity to address these challenges decisively and more effectively than in the past, thereby encouraging steady investment in new gas supply capacity. The Gas Market Review highlights the importance of balancing two objectives.[10]

- That the "domestic market is adequately supplied at lower prices".
- That reform be "careful to balance securing domestic supply with market incentives to invest in and develop gas resources".

Getting the design and implementation of the proposed suite of reforms right will usher in an era of policy stability for the sector that balances the interests of domestic industry participants, the broader economy and our regional partners.

The BCA supports the central recommendation of the Gas Market Review, "to establish a domestic gas reservation scheme, and consider removing the Australian Domestic Gas Security Mechanism, the Heads of Agreement with east coast LNG exporters and the pricing provisions in the Gas Market Code".[11]

[8] https://www.bca.com.au/reports-submissions/reports/bca-global-investment-competitiveness-index/
[9] Gas Statement of Opportunities March 2026 For Australia's East Coast Gas Market.
[10] Australian Government, Department of Industry, Science and Resources, Gas Market Review Report, December 2025.
[11] Australian Government, Department of Industry, Science and Resources, Gas Market Review Report, December 2025.

The BCA reiterates its support for the Australian Government's Future Gas Strategy priorities and principles, as the broader context for the design and implementation of the proposed suite of Gas Market Review reforms.[12]

- A commitment to supporting global emissions reductions to reduce the impacts of climate change and reach net zero emissions by 2050.
- Gas must remain affordable for Australian users throughout the transition to net zero.
- New sources of gas supply are needed to meet demand during the economy wide transition.
- Reliable gas supply will gradually and inevitably support a shift towards higher value and non substitutable gas uses.
- Gas and electricity markets must adapt to remain fit for purpose throughout the energy transformation.
- Australia should remain a reliable trading partner for energy, including LNG and low emission gases.

Gas is a significant contributor to the national economy

The gas sector encompasses businesses along the entire hydrocarbon value chain, including in exploration, development and construction, extraction and processing, distribution, storage, wholesaling and retailing. The gas industry is an important part of the Australian economy and a vital part of Australia's broader energy system.

As such, the sector is a significant contributor to the national economy in terms of its regional trading relationships, capital investment, export income, job creation, production of input and end use products, and payment of taxes and royalties.

The following metrics are drawn from the publicly available sources referred to in the footnotes.[13,14,15,16,17]

- In 2021-22 the gas sector represented 3.7 per cent of Australia's GDP and supported 215,000 full time equivalent jobs.
- In 2021-22, the gas sector produced 6,362 petajoules of gas making Australia the seventh largest gas producer globally.
- In 2021-22, the gas sector purchased $33 billion worth of goods and services from other Australian businesses, sold $39 billion worth of gas products and services to other Australian businesses, and sold $7 billion worth of gas products and services to Australian households.
- In 2022–23, LNG was Australia's second largest export by value, with exports of $92 billion predominantly to Japan, South Korea, China, and Taiwan (representing nearly 20 per cent of total Australian export earnings).
- In 2024-25 the oil and gas sector contributed $21.9 billion in taxes and royalties to the Australian Government and jurisdictional governments.
- All large Australian oil and gas projects are subject to Australian Government corporate income tax on profits at a rate of 30 per cent.
- Offshore oil and gas projects are subject to the Australian Government's Petroleum Resource Rent Tax at a rate of 40 per cent (with the exception of the North West Shelf which is subject to Australian Government royalties).

[12] Australian Government, Department of Industry, Science and Resources Future Gas Strategy May 2024.
[13] Wood MacKenzie, Analysis of proposed LNG export windfall levy: potential impact on energy project economics and fiscal competitiveness, April 2026.
[14] Australian Energy Producers, Fact Sheets, Economic Contribution, https://energyproducers.au/media-2/fact-sheets-and-research/
[15] KPMG, Economic contribution of the gas industry, December 2024.
[16] Australian Government, Department of Industry, Science and Industry, Future Gas Strategy Analytical Report https://www.industry.gov.au/publications/future-gas-strategy-analytical-report
[17] Budget 2025-26, Mid-Year Economic and Fiscal Outlook 2025–26, Part 3, Table 3.5.

- In 2024-25 Petroleum Resource Rent Tax payments were $1.4 billion and Treasury estimates that total payments from 2024-25 to 2028-29 would be $6.8 billion.
- Onshore oil and gas projects are subject to jurisdictional government royalty rates that vary from 10 per cent to 12.5 per cent (depending on the jurisdiction).
- In 2024-25 total jurisdictional government royalties and licence fees were $2.1 billion.
- Since 2010 the LNG sector has invested more than $400 billion, accounting for the majority of the gas sector's $105 billion annual contribution to the Australian economy.

Gas is a key enabler of the region's energy transition

It is not possible to build an affordable and secure energy system without gas as the world transitions to net zero.[18] As outlined in the Australian Government's Future Gas Strategy, Australia's gas sector is a key enabler of the domestic energy transition and that of our regional partners, as coal based energy (for the grid and industry) is gradually replaced with renewables supported by gas.[19]

Continued investment in Australia's LNG export facilities is a crucial option for many Asian economies seeking to balance their energy security, economic growth and decarbonisation objectives.[20]

- Asia's LNG demand is forecast to nearly double to 510 million tonnes per annum in 2050, as emerging nations seek a lower emission fuel than coal for grid generation.[21]
- Australia is a well respected trading partner with a long history of being a dependable source of energy — Australian LNG exports can reach many ports in Southeast and North Asia in five to 10 days, considerably quicker than other major exporters.
- Australian LNG exports are an energy mainstay for Japan, South Korea, Singapore and Taiwan, and energy plans for Vietnam, the Philippines, Malaysia and Indonesia are pivoting towards switching out coal for gas to provide the baseload grid generation necessary for an ambitious renewables roll out.
- Australian LNG has a measurable emission reduction benefit when it replaces coal in grid generation in Asia — LNG from the world's three biggest exporters (Australia, the United States and Qatar) produce less than half the end use emissions and nearly half the lifecycle emissions of coal used in generation plants in Asia.[22]
- Australia is in an excellent position, in terms of its geography and relationships, to be Asia's preferred supplier of LNG for existing and emerging markets, but the soundness and stability of its policy and regulatory settings will be all important to maintaining this position.

[18] The Hon Madeleine King MP Minister for Resources and Minister for Northern Australia, Why net zero will only be possible with natural gas, December 2024.
[19] Australian Government, Department of Industry Science and Resources, Future Gas Strategy, May 2024. https://www.industry.gov.au/publications/future-gas-strategy
[20] Asian Natural Gas and Energy Association, From the CEO: Asia's demand for LNG will be much bigger than you might think.
[21] Wood Mackenzie, Asia LNG Demand Assessment Executive Summary of Report prepared for ANGEA October 2024.
[22] S&P Global Study: Pathways to Accelerate Power Emissions Reduction in Asia, May 2025.