



Centre for  
International  
Corporate Tax  
Accountability  
and Research



Nicholas Craft  
Committee Secretary  
Senate Select Committee on the Taxation of Gas Resources  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Email: [gastaxation.sen@aph.gov.au](mailto:gastaxation.sen@aph.gov.au)

## **Submission from the Tax Justice Network Australia and the Centre for International Corporate Tax Accountability & Research on the Taxation of Gas Resources**

**10 April 2026**

The Tax Justice Network Australia (TJN-Aus) and the Centre for International Corporate Tax Accountability & Research (CICTAR) welcome the opportunity to make a submission on the taxation of gas resources. We have been disappointed for a decade that successive Commonwealth Governments have been unwilling to make meaningful reforms to ensure that the Australian community gets a fair return on the extraction of offshore gas.

The argument that any changes to taxation of gas resources would threaten future investments and create “sovereign risk” is purely a scare tactic and one that the oil and gas industry attempts to use worldwide. The only sovereign risk is that Australia will continue to generate little or no government revenue from the boom in LNG exports while rising domestic energy prices decimate local businesses and continue to put a growing strain on household budgets. The PRRT has been changed many times – for the benefit of the industry – and none of these changes were labelled as “sovereign risk”.

### **Terms of Reference: The tax treatment of Australian oil and gas resources, including any proposals for changes to the tax treatment of gas production and export;**

The PRRT applies a tax rate of 40% of profits from the sale of the raw gas from Commonwealth waters, but the flaws in the PRRT system have generated hundreds of billions of PRRT tax credits that will buffer any PRRT payments for decades to come. Some projects were expected to never pay any PRRT. For the new offshore gas projects that are driving Australia’s LNG export boom, there is no other royalty payment beyond the PRRT. In essence, Australia has been giving away its finite natural resources to some of the world’s largest oil and gas companies for free. Recent reforms will limit the use of PRRT credits used each year to 90% of PRRT owed, but this will still be a pittance compared to the value of Australian LNG exports by multinational oil and gas giants. As of the most recent ATO corporate tax data (2023-24), no PRRT payments have been made from these huge offshore projects despite many years of massive exports to global markets. Onshore LNG projects do pay some state-based royalties.

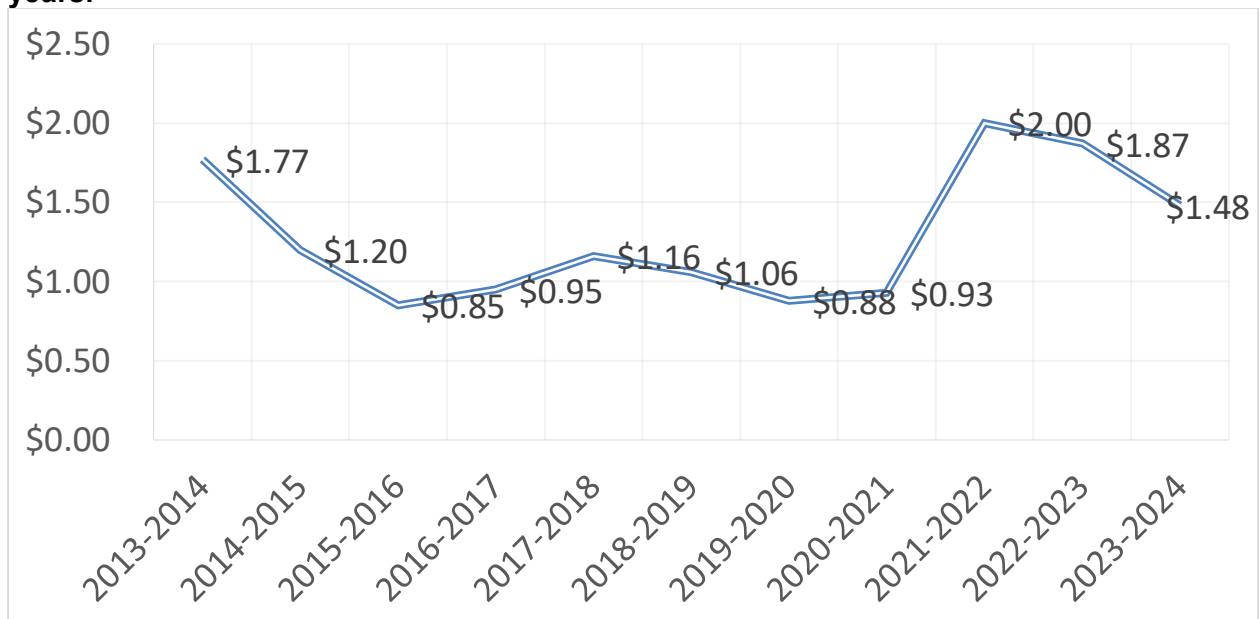
Recent reporting from Bloomberg stated that the Chevron operated Gorgon and Wheatstone projects were responsible for at least 5% of global LNG supply, prior to current war blocking LNG exports from Qatar. The Inpex operated Ichthys LNG project supplies over 10% of Japan’s total LNG imports and Japan is the world’s largest importer of LNG. Despite operating for years with growing profits, these projects have yet to pay one cent in PRRT.

Table 1 outlines the amount of PRRT paid between 2013 and 2024. It shows that for most of the period PRRT payments have been around \$1 billion and after a peak payment in the 2021-2022 financial year they declined again. These PRRT payments are predominately from older projects, including in the Bass Strait. For context, export earnings for LNG exports peaked at over \$92 billion in 2022-23 and were forecast at \$65 billion in 2024-25. Given the current war-related global LNG supply issues in Qatar and damages to production capacity, the value of Australia’s LNG exports could increase significantly in coming years.

**Table 1. PRRT payment between the 2013-2024 and 2023-2024 financial years from ATO data.<sup>1</sup>**

Financial Year	Number of legal entities paying PRRT	Number of corporate groups paying PRRT	Amount of PRRT paid (billions)
2013-2014	12	9	\$1.77
2014-2015	12	10	\$1.20
2015-2016	9	7	\$0.85
2016-2017	14	11	\$0.95
2017-2018	9	7	\$1.16
2018-2019	11	8	\$1.06
2019-2020	12	8	\$0.88
2020-2021	10	7	\$0.93
2021-2022	11	7	\$2.00
2022-2023	11	6	\$1.87
2023-2024	16	10	\$1.48

**Figure 1. PRRT payments in \$ billions between 2013-2014 and 2023-2024 financial years.**



<sup>1</sup> <https://data.gov.au/data/dataset/corporate-transparency>

Research and analysis by the Tax Justice Network - Australia which highlighted the failure of the PRRT to collect any revenues from Australia's booming offshore gas industry led then Treasurer Scott Morrison, to call for a Review of the PRRT led by Michael Callaghan in 2016. Despite the PRRT Review confirming the current and future failure to collect revenue from new offshore gas projects, the industry persuaded the government to take minimal action due to trumped-up concerns of "sovereign risk" and empty threats concerning future investment by multinational oil giants.

Years after the Government's Callaghan review into the PRRT, Treasury concluded a consultation into the gas transfer pricing mechanism in the PRRT. A small and reasonable regulatory change would raise \$90 billion in additional PRRT revenues according to an estimate in the Callaghan PRRT review. As the PRRT is a profit-based royalty regime, it is much easier for companies to shift profits to reduce tax payments. The PRRT applies to the raw gas, for which there is no external market, and not to the LNG, which is manufactured and processed for export under long-term contracts.

Large LNG projects have typically been integrated projects where the same company (or group of companies in a particular project) extracts the gas and processes it into LNG. The PRRT is applied when the raw gas is transferred for processing. Currently, the PRRT allows companies to choose from a range of options in determining the "transfer price" at which point the PRRT is applied. Conveniently, the companies can calculate this price on the basis that the natural resource, owned by the people of Australia, has little value and that the value is created through the manufacturing process. In this case, a low price for the raw gas results in much lower PRRT revenues. The standard method for determining the "gas transfer price" must be restricted to a net-back only approach, which is a global best practice and already part of the current methodology.

A net-back only approach would simplify regulations and increase transparency. There should only be one set of regulations based on global best practices. The net-back only method should immediately apply to all LNG projects that are subject to the PRRT. There is an easy \$90 billion on the table that will otherwise be shifted offshore by multinational oil and gas corporations defending the overly generous status quo.

The adoption of the net-back only approach was recommended by Treasury at a meeting on 10 March 2023.<sup>2</sup> Treasury assessed that that the current residual pricing mechanism under-prices gas.<sup>3</sup> Further, the under-pricing of the gas occurs because the residual pricing mechanism was conceived on flawed analysis.<sup>4</sup> Treasury assessed that the Arthur Andersen analysis of the residual pricing mechanism was based on commercially unrealistic assumptions. In their view, "A particularly unrealistic outcome of the RPM is that the upstream part of the business bears all of the project losses in the event of low LNG prices but receives only half of the upside profits when LNG prices are high."<sup>5</sup> Further, the "approach directly contradicts the guidance provided by the OECD on the application of the transactional profit split."<sup>6</sup>

Treasury concluded that:<sup>7</sup>

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<sup>2</sup> Senator the Hon Katy Gallagher, "Response to the Senate Order for the Production of Documents No. 246 – Petroleum Resource Rent Tax", 19 July 2023.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

*The lack of any sensible rationale for the asymmetric treatment of notional losses in the RPM undermines the Arthur Andersen arguments that it is an equitable mechanism to determine an arm's length price for sales gas.*

The shift to a net-back only approach as the default method for determining a gas transfer price in the PRRT should be implemented immediately and apply to all current and future projects that are subject to the PRRT.

An additional reform to the above reform of the PRRT would be to apply a 10% royalty payment on gas.

Finally, as royalties are payments for the raw product, in addition to both reform of the PRRT and the application of a royalty payment for the gas, the gas industry should be subjected to an additional 25% tax on profits from gas exports to encourage the ongoing extraction of gas in Australia to be used for domestic needs and lower costs for Australian businesses and consumers.

**the expected outlook for gas and oil prices in response to the conflict in the Middle East, including the impact on Australia, Australia's regional trading partners and the Pacific; the impact of this outlook on the profitability of Australian liquefied natural gas exporters and on the stability and reliability of global energy markets;**

As indicated above, given the conflict in the Middle East and effects on global supply, the value of Australia's LNG exports is likely to increase substantially in the short term and potentially over the next several years. This situation adds significant urgency to long overdue substantive common-sense changes to regimes for taxing gas in Australia, particularly in relation to the massive offshore LNG projects that are only subject to the PRRT. Australia is already a major supplier of LNG to the Asia Pacific region, but benefits to Australia – in the form of public revenues – have been minimal. It is worth noting that due to Chevron's Gorgon and Wheatstone LNG projects, Chevron's top Australian subsidiary was the 4<sup>th</sup> largest corporate taxpayer in Australia in 2023-24 with payments of over \$3.5 billion. However, due to the failure of the PRRT it extracted and exported Australia's offshore gas resources for free. The tax payments were based on revenue of \$19.4 billion and taxable income of \$11.8 billion, indicating an estimated profit margin of 61%.

New research from the International Tax Observatory (formerly the EU Tax Observatory) has found that commodity price shocks like the current Iran war generate windfall profits from oil and gas companies and increase the amount of profits shifted to tax havens.<sup>8</sup> The analysis estimated that following a boom in windfall profits, multinational oil and gas corporations increased the amount of profits shifted to tax havens from approximately 12% to 20%.

**the impact of this outlook on households, businesses and government revenue;**

Without intervention, gas prices for Australian households and businesses are likely to continue to rise with global prices and reductions in supply from Qatar. The domestic reservation policy in Western Australia has been highly successful in reducing energy costs in that state but has left the larger East Coast market subject to global price spikes. Without needed reforms, corporate profits will continue to spike with limited impact on increased government revenue and higher costs to governments as energy consumers.

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<sup>8</sup> Alice Chiochetti and Ninon Moreau-Kastler, April 2026, "The Global Allocation of Extractive Windfalls", International Tax Observatory. <https://taxobservatory.world/publication/the-global-allocation-of-extractive-windfalls/>

**alternative tax arrangements for oil and gas production and export that other countries have put in place, and the revenue implications if those arrangements were adopted in Australia;**

In terms of generating government revenue from LNG, Australia has one of the worst tax and royalty regimes in the world. Most countries in the world, with the possible exception of the United Kingdom prior to its windfall profit tax, collect far more from oil and gas extraction and export than Australia. Even if all of the proposed changes discussed above were implemented, Australia's tax and royalty regime would remain extremely generous for producers in the global context. Previous research indicated that Japan raised more tax revenue from the import and sale of Australian gas than Australia.<sup>9</sup>

**how any additional revenue generated could be used to provide cost of living relief for households and businesses and reduce our dependence on imported fuel;**

Currently, Australia is one of the largest exporters of fossil fuels in the world. However, despite overstated claims of the industry's economic contribution to Australia, the largest impact is the contribution to climate change. Australia must get a far better return from the exploitation of its finite natural resources and use additional revenues to mitigate the impacts of climate change, transition to more sustainable energy sources and increase spending on public services to address the ongoing cost of living crisis and growing social and economic inequalities.

Over many years, TJN-Aus has made several detailed submissions regarding the PRRT and broader tax issues related to the oil and gas industry and can provide further detailed information and analysis on request. While there has been significant progress on addressing corporate income tax issues from several major industry players, the utter failure of the PRRT remains unfinished business and in need of urgent attention. There are also several major corporations in Australia's gas industry that have continued to pay little or no corporate income tax despite years of production and export. CICTAR has been leading research, not yet published, with other partners on several major gas projects including Inpex's Ichthys LNG Project. As a final point, the current high cost of gas in the Australian domestic market has nothing to do with supply and everything to do with large oil and gas corporations prioritising exports and profit maximisation at Australia's expense. While current projects should continue production as part of the transition to global net zero emissions, incentivising new production and investment is likely to be counter-productive and only inhibit the needed transition to renewable energy sources.

We commend the Senate for creating this inquiry and appreciate the opportunity to make this submission.

Sincerely,

Dr Mark Zirnsak  
Secretariat  
Tax Justice Network Australia

[Redacted signature block for Dr Mark Zirnsak]

Jason Ward  
Principal Analyst  
CICTAR

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<sup>9</sup> Heath Aston, 14 March 2017, "Japanese government taps more benefit from Australian gas than us", Sydney Morning Herald. <https://www.smh.com.au/politics/federal/japanese-government-taps-more-benefit-from-australian-gas-than-us-20170314-guxy4n.html>

## **Background on the Tax Justice Network Australia**

The Tax Justice Network (TJN) is an independent organisation launched in the British Houses of Parliament in March 2003. It is dedicated to high-level research, analysis and advocacy in the field of tax and regulation. TJN works to map, analyse and explain the role of taxation and the harmful impacts of tax evasion, tax avoidance, tax competition and tax havens. TJN's objective is to encourage reform at the global and national levels.

The Tax Justice Network believes our tax and financial systems are our most powerful tools for creating a just society that gives equal weight to the needs of everyone. But under pressure from corporate giants and the super-rich, our governments have programmed these systems to prioritise the wealthiest over everybody else, wiring financial secrecy and tax havens into the core of our global economy. This fuels inequality, fosters corruption and undermines democracy. We work to repair these injustices by inspiring and equipping people and governments to reprogram their tax and financial systems.

The Tax Justice Network Australia (TJN-Aus) is the Australian arm of TJN.

In Australia, the current members of TJN-Aus are:

- ActionAid Australia
- Aid/Watch
- Anglican Overseas Aid
- Australian Council for International Development (ACFID)
- Australian Council of Social Service (ACOSS)
- Australian Council of Trade Unions (ACTU)
- Australian Education Union (AEU)
- Australian Manufacturing Workers Union (AMWU)
- Australian Nursing & Midwifery Federation (ANMF)
- Australian Services Union (ASU)
- Australian Workers Union, Victorian Branch (AWU)
- Baptist World Aid
- Caritas Australia
- Centre for International Corporate Tax Accountability & Research (CICTAR)
- Community and Public Service Union (CPSU)
- Electrical Trades Union, Victorian Branch (ETU)
- Evatt Foundation
- Friends of the Earth (FoE)
- GetUp!
- Greenpeace Australia Pacific
- International Transport Workers Federation (ITF)
- Jubilee Australia
- Maritime Union of Australia (MUA)
- National Tertiary Education Union (NTEU)
- New South Wales Nurses and Midwives' Association (NSWMWA)
- Oaktree Foundation
- Oxfam Australia
- Publish What You Pay Australia
- Save Our Schools
- SEARCH Foundation
- SJ around the Bay
- TEAR Australia
- The Australia Institute
- Union Aid Abroad – APHEDA
- United Workers' Union (UWU)
- Uniting Church in Australia, Synod of Victoria and Tasmania
- UnitingWorld
- Victorian Trades Hall Council
- World Vision Australia

## **Background on the Centre for International Corporate Tax Accountability & Research (CICTAR)**

CICTAR is a global corporate tax research centre that produces information and analysis to untangle the corporate tax web. The Centre is a collective resource for workers and the wider public to understand how multinational tax policy and practice affects their daily lives. CICTAR's work supports public participation in the tax debate so that everybody can participate in decision-making that affects their communities.

For more information, visit the CICTAR website here: <https://cictar.org/>