



## Submission to the Select Committee on the Taxation of Gas Resources

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**From:**

David Simpson, Chief Executive  
E-volve Corporate Technology Pty Ltd  
Suite 1, 86 Mann St  
Gosford NSW 2250

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### 1. Executive Summary

Australia is one of the world's largest LNG exporters, yet the Commonwealth captures a **disproportionately small share of the value of its own natural resources**.

Over the last three years:

- LNG exports generated approximately **\$225 billion** in revenue<sup>1</sup>
- PRRT receipts totalled approximately **\$6 billion**<sup>2</sup>

This is not a marginal policy issue. It is a **systemic failure of resource taxation policy**.

At the same time:

- Australian households face rising energy costs,
- Domestic industry absorbs higher input prices,
- Offshore intermediaries capture downstream value through resale and arbitrage.

The current system:

- Defers taxation,
- Enables prolonged non-payment of PRRT by major projects,
- Fails to capture economic rent at the point of extraction.

This submission supports the introduction of a **25% LNG production-based or hybrid tax** and further reform of PRRT.

Australia is materially under-collecting revenue from one of its most valuable sovereign assets—and there is no credible economic justification for maintaining the status quo.

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### 2. The Core Policy Failure

#### 2.1 Public Resource, Private Capture

Gas resources are owned by the Australian people.

However, the current system produces:

- **Privatised profits,**
- **Publicly foregone revenue,**
- **Deferred taxation outcomes that may never fully materialise.**

PRRT:

- Is levied at **40% of taxable profit**<sup>3</sup>
- Allows extensive deductions and uplift rates
- Enables projects to defer tax liability for extended periods

Projects generating billions in export value can pay **little or no PRRT for years or decades.**

This is not a flaw in execution.

It is a **direct outcome of policy design.**

### 3. Hard Numeric Evidence

#### 3.1 Export Value vs PRRT Receipts

**Table 1. LNG Export Earnings vs PRRT Receipts**

Financial Year	LNG Export Earnings	PRRT Receipts	PRRT as % of Export Earnings*
2022–23	\$92.0b	\$2.287b	2.5%
2023–24	\$68.6b	\$1.15b	1.7%
2024–25	\$64.6b	\$2.65b	4.1%
<b>Total</b>	<b>\$225.2b</b>	<b>\$6.09b</b>	<b>2.7%</b>

\*Scale comparison only.

For every \$100 of LNG exported, approximately \$2–\$4 has been collected via PRRT.

#### 3.2 Government Acknowledgement

**Table 2. Government Admissions**

Source	Statement
Treasurer (2023)	“Fairer return to the Australian community” <sup>4</sup>
Budget 2024–25	“More tax, sooner” <sup>5</sup>

The Commonwealth has already accepted the system is underperforming.  
The issue is whether reform will be **incremental—or sufficient**.

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#### 4. Evidence of Value Leakage

**Table 3. Downstream Value Capture**

Indicator	Evidence
LNG resale by Japanese firms	~37% of volumes resold <sup>6</sup>
Estimated resale value	\$11–14 billion annually <sup>7</sup>
Estimated profit	>\$1 billion <sup>7</sup>

This demonstrates:

- Offshore entities capturing substantial value
- Australia failing to maximise value at extraction

If downstream markets can consistently extract margin, upstream value capture is insufficient.

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#### 5. International Benchmark – Norway

**Table 4. Norway Petroleum Taxation**

Item	Norway
Combined tax rate	**78%** <sup>8</sup>
Additional value capture	State ownership (SDFI)
Annual revenue	~NOK 374 billion <sup>9</sup>
Investment outcome	Strong

Norway proves:

- High taxation does not eliminate investment
- Strong public returns are achievable
- Resource wealth can be captured effectively

Australia's weaker model is therefore a **policy choice—not an inevitability**.

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#### 6. The Case for a 25% LNG Tax

A 25% production-based or hybrid tax would:

- Capture value **at extraction**,

- Provide **revenue certainty**,
- Reduce reliance on deferred profit-based taxation.

Investment risk arguments are overstated:

- Resources are fixed
  - Australia remains globally competitive
  - Comparable jurisdictions tax far more aggressively
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## 7. Domestic Policy Contradiction

Australia exports energy at scale while:

- Households face rising prices
- Businesses face cost pressure

A resource-rich nation should not price its own citizens as if it were resource-poor.

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## 8. Use of Revenue

Additional revenue should support:

- Cost-of-living relief
  - Energy security
  - Strategic reserves
  - Economic transition
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## 9. Recommendations

1. Introduce a **25% LNG production-based or hybrid tax**
  2. Further reform PRRT to reduce deferral
  3. Benchmark against Norway
  4. Investigate LNG pricing and resale dynamics
  5. Direct revenue to national priorities
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## 10. Governance and Sovereign Stewardship

This issue is fundamentally one of **public stewardship**.

Australia's gas reserves are sovereign assets held on behalf of its citizens. Governments have a duty to ensure those assets deliver:

- Fair economic return
- Long-term national benefit
- Domestic energy security

On the evidence presented, that obligation is **not currently being met**.

The current framework has enabled:

- Large-scale extraction of public resources
- Disproportionately low public returns
- Offshore value capture
- Rising domestic costs

This is not a market failure.

It is a **failure of policy design and sovereign value protection**.

If a resource-rich nation cannot secure a fair return from its own assets, the issue is not capability—it is governance.

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## 11. Conclusion (Hearing Position)

The facts are clear:

- **\$225 billion exported**
- **~\$6 billion collected via PRRT**
- Offshore entities capturing additional value
- Domestic consumers bearing rising costs

This is not a marginal issue.

It is a **material policy failure**.

Australia is underpricing and under-taxing its LNG resources.

The burden of that failure is being carried by:

- Households
- Businesses
- Taxpayers

Reform is not optional.

It is overdue.

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## Footnotes

1. Department of Industry, Science and Resources, *Resources and Energy Quarterly*
  2. Australian Government Budget Papers (PRRT receipts)
  3. Australian Taxation Office – PRRT framework
  4. Treasurer Jim Chalmers, PRRT reform media release (2023)
  5. Budget Paper No. 1 (2024–25)
  6. Friends of the Earth Japan LNG resale research
  7. Institute for Energy Economics and Financial Analysis (IEEFA)
  8. Norwegian Petroleum Directorate / Norsk Petroleum
  9. Norwegian Government petroleum revenue data
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