



**TASMANIAN  
CLIMATE  
COLLECTIVE**

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

Thank you for this opportunity to share our views with the Select Committee on the Taxation of Gas Resources. The Tasmanian Climate Collective (TCC) represents 19 community organisations and 200 individuals across Lutruwita Tasmania, all working towards a safer climate and society.

TCC strongly supports replacing the ineffective Petroleum Resource Rent Tax (PRRT) with a more effective mechanism. The best option is a flat 25% tax on liquefied natural gas (LNG) export revenue. Over the last four years, gas exports worth \$170 billion dollars paid [no royalties and no PRRT](#) at all. A flat tax on export revenue would be simple, fair and effective. It would only apply to exports, creating an incentive for gas companies to supply more gas to the Australian domestic market. This would put downward pressure on energy prices for our homes and businesses.

Other options to replace the PRRT include:

- Tax gas profits, as recommended by the [Superpower Institute](#). However, this could risk creative accounting on profits hiding the true value of the gas industry.
- How our peer nations in the OECD attend to this eg Norway's sovereign wealth fund - Government Pension Fund Global ([Statens Pensjonsfond](#))
- Phase out fossil fuel subsidies, as recommended by the [International Monetary Fund](#) and the [International Energy Agency](#). The largest section relates to the Fuel Tax Credit Scheme, which is involved in onshore gas extraction. We support suggestions that there could be a [ceiling on these of \\$50M per year](#), or to [remove it from the business](#) of fossil fuel mining and related infrastructure.

[The Superpower Institute](#) polling has shown that the vast majority of Australians across the political spectrum think we deserve a better return from the sale of our resource wealth.

Currently Australians have growing fiscal concerns through a cost of living crisis, housing shortage as well as health and social service needs. Like the [ACTU](#) and [The Australia Institute](#), the TCC feels that now is an appropriate time to consider the role of taxation of the gas industry in the health of Australia's budget.

It is ludicrous that Japanese gas companies pay tax in Japan for the Australian gas that they onsell to third nations, when they paid little or no tax on this gas in Australia.

[Analysis](#) shows that the PRRT has not kept up with the value of gas exports. Over the 35 years, the tax has increased about five fold. In the meantime, the income taken by the gas industry is now 80 times greater through the same period. Changes made to PRRT in recent years have failed to improve this situation. The PRRT is no longer fit for purpose, as documented by [Treasury](#).

A more appropriate tax on gas exports would generate funds that could benefit Australians in a multitude of ways, including:

1. Accelerating the transition to a low carbon economy with less reliance on imported liquid fuels. It is important that funds are available to achieve this since:
  - a. [Treasury](#) has stated not pursuing net zero by 2050 risks lower economic growth, reduced investment, missed export and employment opportunities, and higher electricity prices.
  - b. The [Climate Change Authority](#) states that working towards the goals of the Paris Agreement can lead to \$230B in annual savings by 2050, grow Australia's GDP 10% by 2050, and lead to \$680B of growth by 2070.
  - c. [Research](#) shows that the economic damage is six times more expensive than the costs of limiting climate heating to 2 degrees.
  - d. [Modelling](#) demonstrates that without accelerated climate action, Australia will lose 14% of its GDP by 2050. Globally, the [finance sector](#) is expecting a global 50% GDP destruction – somewhere between 2070 and 2090.
  - e. The [Colvin review](#) found that Commonwealth disaster funding needs have grown from \$1B in 2018-9, to be \$6.5B four years later. Since then, this has further expanded so that the economic cost of disasters last year was almost \$12B. It is now predicted to be approximately [\\$35B](#) or [\\$40B](#) by 2050.
  - f. [Inflation](#) is also consistently predicted to be affected by the economic impacts of a changing climate.
2. Making Australia more resilient to the climate changes occurring now and into the future, according to the risks as outlined in [Australia's National Climate Risk Assessment](#). [Ernst & Young](#) similarly outline threats to economic prosperity, social stability and regional security. Additional tax revenue can be used to develop a loss and damage fund that could be accessed by municipal councils and local communities impacted by the growing number of extreme weather events Australians are now experiencing.

An example of the economic impacts is that home insurance prices have increased 40% in only the last three years and the [insurance industry](#) is calling for improving climate adaptation strategies for householders. The [Insurance Council of Australia](#) reports that the rising cost and viability of insurance is related to the fact that extreme weather 15 years ago was costing about \$200M a year, and now has become \$900M a year.
3. Policy mechanisms that address housing affordability, ease cost of living pressure, improve health service delivery, and ensure all Australians have access to the relevant social support
4. Decommissioning of fossil fuel facilities when a private owner goes into liquidation. Recently the [Commonwealth Government](#) has had to pay for decommissioning the Northern Endeavour facility and remediating the Laminaria-Corallina oil fields, overseen by the Department of Industry.

Community sentiment is strongly supportive of a more sensible gas tax. A recent [YouGov poll](#) found that changing the gas taxation to improve the budget and to firm up local gas supply was supported by 61% of Australians, more than 12 times those against it, where a third of people feel unclear.

It makes sense that many Australians are aware of the injustice that the gas sector has increased profits, while making the climate crisis worse and this needs redress through a financial mechanism. The connection between burning fossil fuels over recent centuries and the changing climate has been made clear. Yet the gas, oil and coal industries have contributed to climate

disinformation as shown by the recently released Commonwealth Senate report ([The Integrity Gap: Restoring Trust in the Climate and Energy Debate](#)), and previously by the [USA Senate](#).

The gas industry is also contributing to the cost of living crisis where [east coast power prices](#) remain locked to [international gas prices](#) due to the high volumes of gas being exported.

Any suggestion that increasing the tax received from the gas industry would reduce investments is fanciful at best, or gas industry propaganda at worst. This has not occurred with other major fossil fuel producing economies like Norway. Their state pension fund started in the 1990s, and there has been no downturn in the investment in their North Sea fields.

We encourage the Senate to promote the concept of improving the tax revenue the Commonwealth can gain, through appropriate processes, from the gas industry, and urge Treasury to make the necessary changes. A 25% gas export tax appears the most sensible public good policy with wide support across the Australian community.