

AUSTRALIAN DOMESTIC GAS EXPORT REFORM

Scenario Analysis, and Policy Options
Assessment

PUBLIC RELEASE

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**FUTURE
GROUP**

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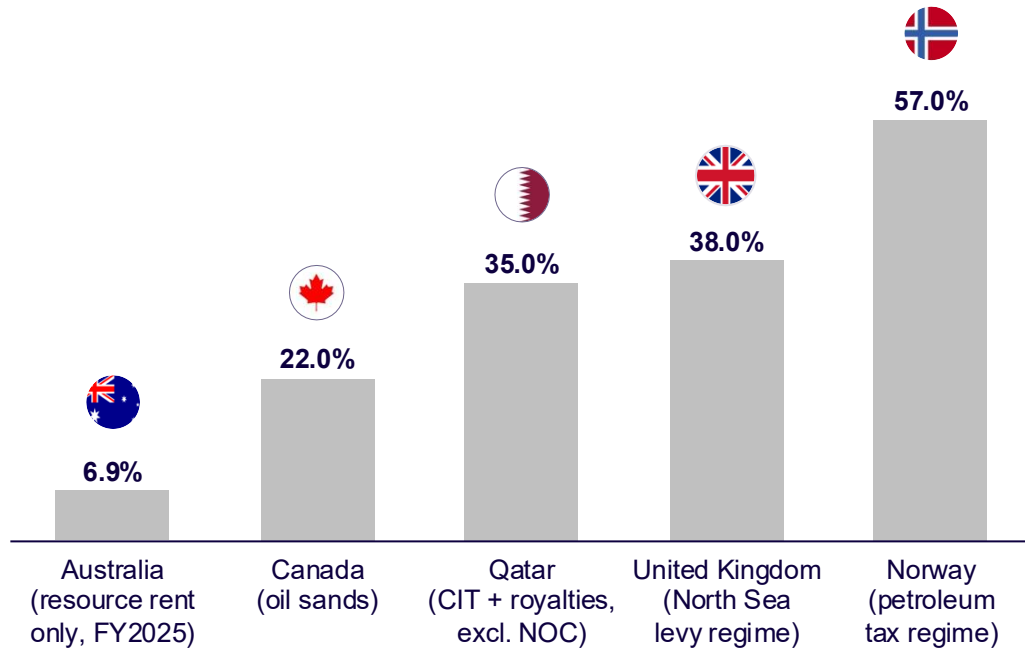
Context

Future Group commissioned this report to assess the economic impact of different policy options for increasing Australia's revenue from its gas endowment. The analysis covers: the revenue different tax structures could generate; their impact on existing and future LNG projects; implications for Australia's trading relationships; and the effect on domestic gas and wholesale electricity prices. It also provides a high-level assessment of potential energy bill relief for households and commercial and industrial users.

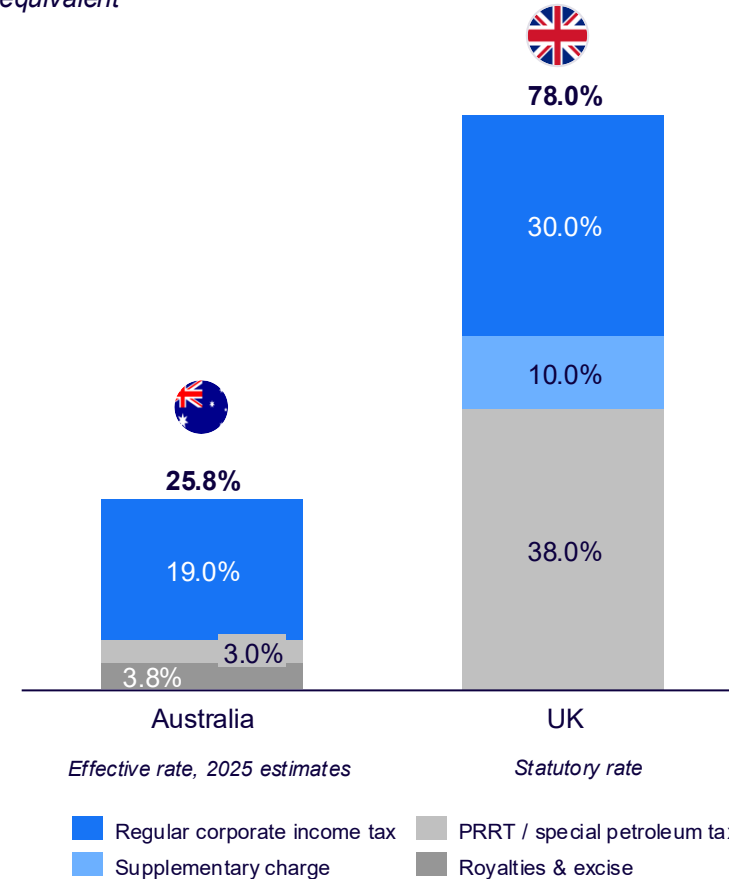
The study draws on a combination of publicly and privately available information. The modelling methodology was peer-reviewed by more than 20 industry experts, including current and former senior energy executives, investment banking executives, debt providers to the LNG sector, government investment specialists, senior gas analysts, energy market bodies, public policy think tanks, trade experts from Japan and Korea, and former senior government officials.

Australia captures less resource rent than peer exporters, indicating a structural policy gap

Effective resource rent capture rate by major LNG/petroleum exporting states, %, (excluding equity return)



Total taxation rate of gas companies, Australia / United Kingdom comparison %, FY2025 equivalent

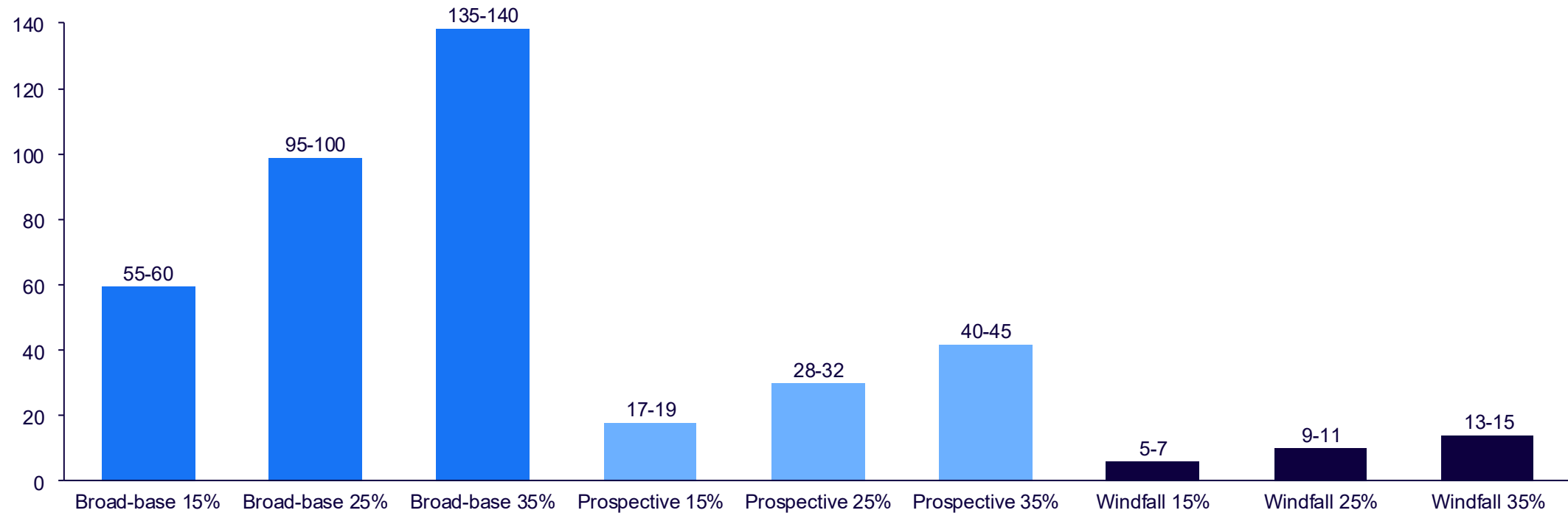


Note: Left chart excludes equity return; **Australia**: PRRT revenues in gov budget: A\$1.950bn (Federal budget 2025, historic), Royalties: A\$2.5bn (2025 Parliamentary Budget office), Export revenues 2025: A\$65bn (DISR, 2025), 19% effective CIT rate by Wood Mackenzie; Qatar excludes state equity participation (QatarEnergy), which represents a majority of government take. All A\$ real 2025. Canada: Royalties range from 5-30% depending on state (estimates)

Sources: North Sea Transition Authority, Wood Mackenzie, AEP Industry Report FY2025; Norwegian Petroleum Directorate 2024; Australian Institute, Australian Federal Budget 2024-25, Arthur D. Little

A broad-base levy would maximise government revenue compared to other options

10-year levy revenue by design scenario (A\$bn/10yr)



Broad-based levy: Applied across LNG export revenue base

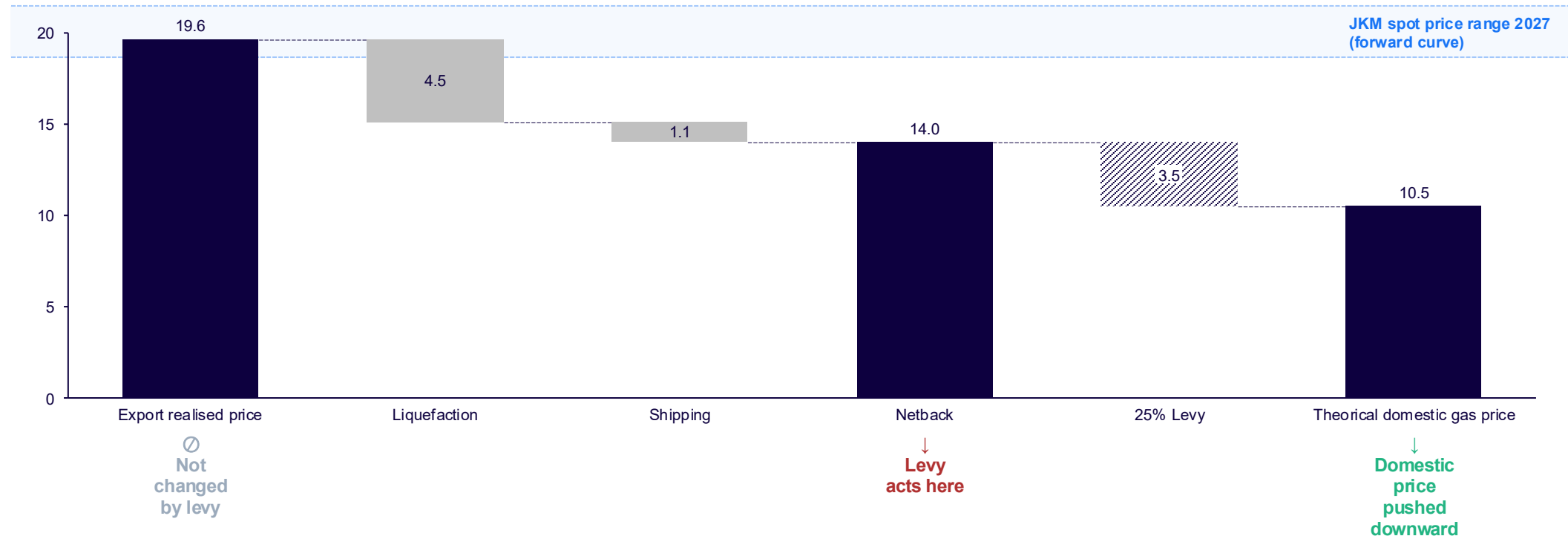
Prospective levy: Applied primarily to spot/uncontracted or newly exposed export volumes

Windfall levy: Applied when export netback exceeds a defined threshold (A\$8.5/GJ assumption)

Note: The estimated A\$17bn revenue from the broad-based tax is based on current export volumes and was advertised as an upper bound (up to).
 Sources: Arthur D. Little scenario modelling; ACCC Gas Inquiry 2024; AEMO GSOO 2024, LSEG (Refinitiv)

An export focused levy would place downward pressure on Australian prices by making it more profitable for gas companies to sell to Australian buyers at a lower price

LNG export realized price composition at 25% broad-base levy, A\$/GJ (2027 central price scenario)

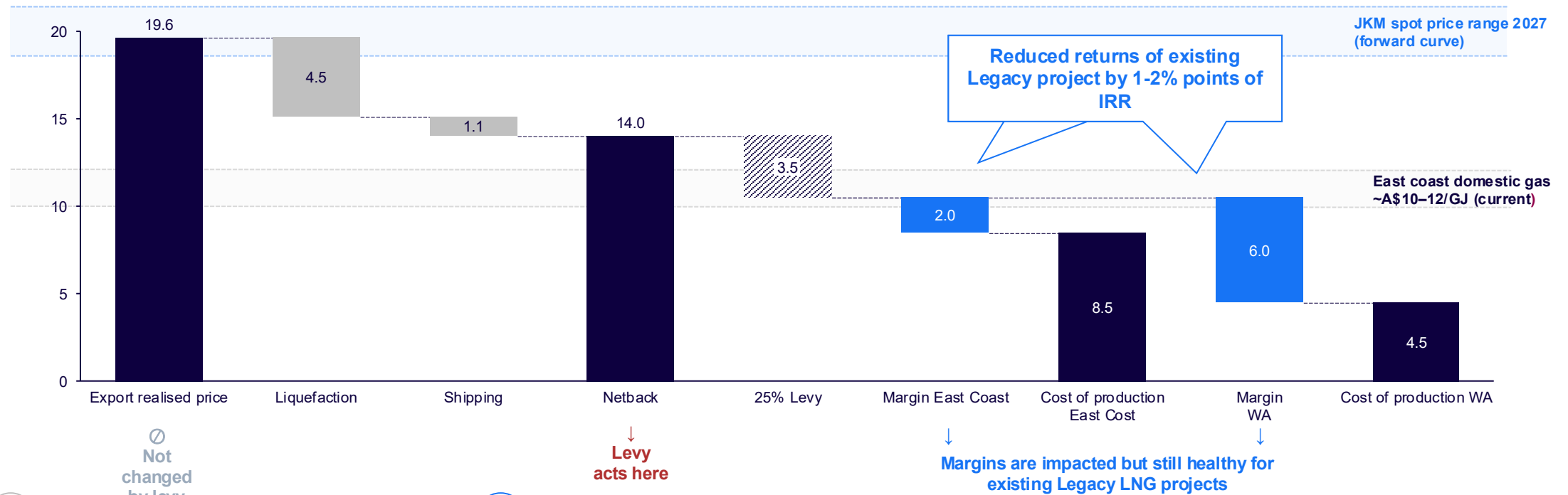


- ▶ The 25% levy could reduce the producers' realised return from A\$14.0 to A\$10.5/GJ, below current East coast domestic prices.
- ▶ When the opportunity cost of exporting falls below domestic price, domestic supply competition increases and the benchmark softens.

Note: The theoretical domestic gas price would vary depending on market conditions and the extent to which the 25% levy (A\$3.5/GJ) is passed through to domestic prices
 Sources: LSEG JKM forward curve, ACCC, GSOO, Arthur D. Little

A levy would put pressure on domestic price while conserving healthy returns for existing legacy projects, reducing IRR by 1-2% points

LNG netback decomposition at 25% broad-base levy, A\$/GJ (2027 central price scenario)



► For legacy **LNG projects** (largely depreciated), the impact on overall project economics is expected to be limited, with an estimated 1–2 percentage point reduction in IRR.

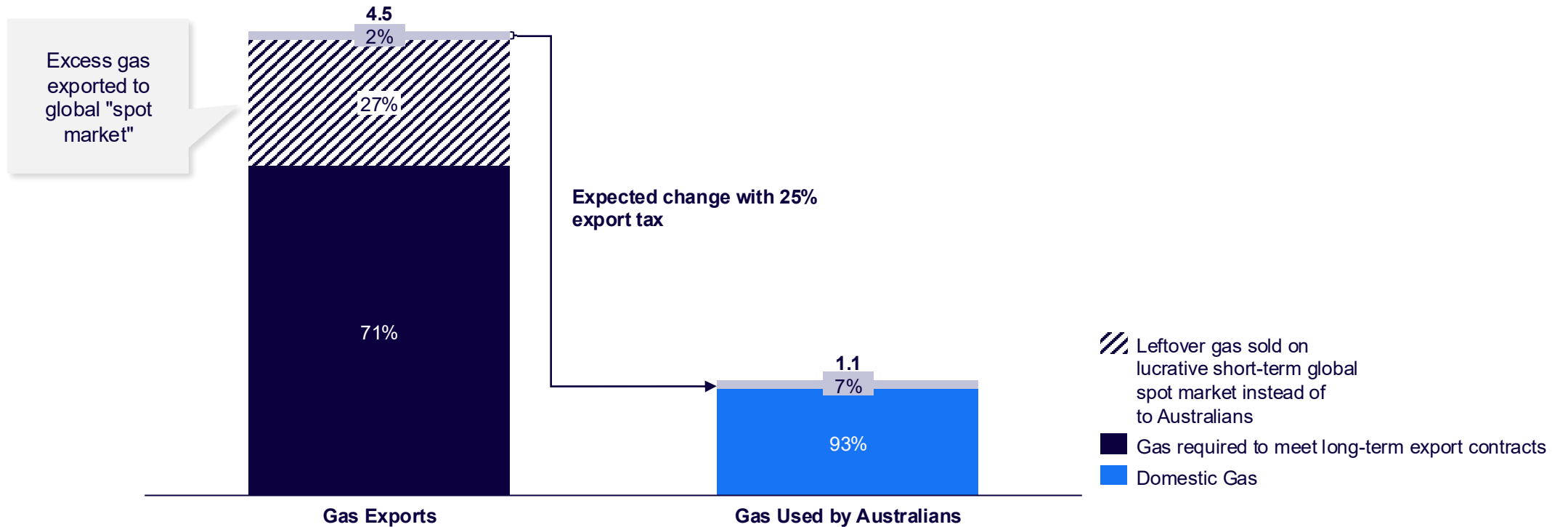


► **Brownfield and greenfield** projects in the pipeline exhibit a wide range of IRRs, with many not considered commercially viable even in the absence of additional levies. For those brownfield projects that are commercially viable without the levy but risk becoming unviable with it, the **Government could consider targeted policy considerations where the project is deemed to be in the national interest.**

Note: The theoretical domestic gas price would vary depending on market conditions and the extent to which the 25% levy (A\$3.5/GJ) is passed through to domestic prices
 Sources: LSEG JKM forward curve, ACCC, GSOO, Arthur D. Little

An export levy of 25% would redirect uncontracted export volumes to the domestic market, this would be significant enough to reduce prices in the local market but not material enough to impact trade partners

Gas Exports vs domestic volumes change, '000s PJ/y (2025)

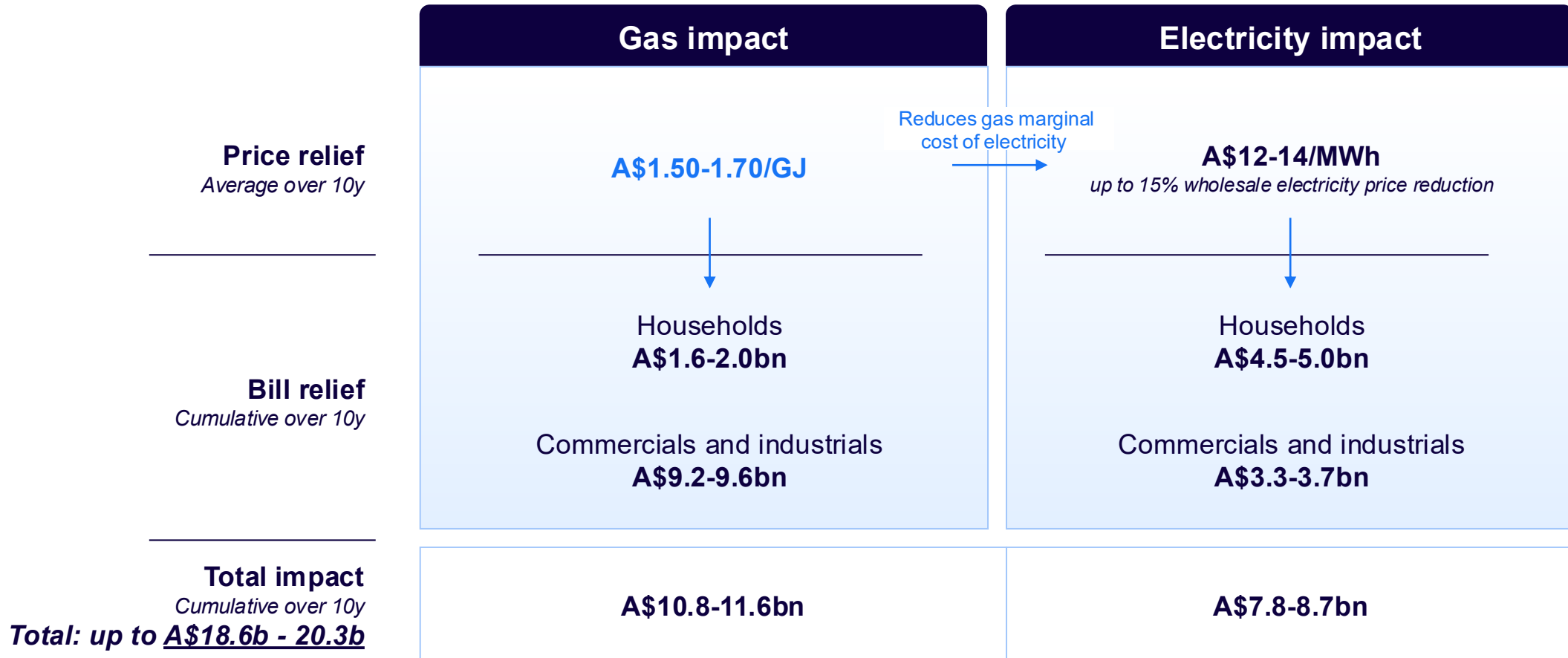


Note: Whilst an export tax is assumed not to increase domestic supply overall, to the extent that there is a positive spread between the domestic price and the post-tax netback price, it creates an economic incentive for producers to divert marginal supply to the domestic market. The incremental supply should put downward pressure on Domestic Prices.

Source: The Australia Institute, IEEFA (2025), AEMO (2025), ACCC (2025)

A 25% levy would put downward pressure on domestic energy prices reducing wholesale electricity prices by up to 15%

Gas and electricity price and bill impact, A\$/GJ average over 10y, A\$/MWh, cumulative over 10y



Notes: Wholesale price reduction results in a lower overall energy prices for domestic users; A drop in wholesale electricity prices would flow through to retail customers, but the pass-through depends on contracts, regulation, and the cost structure of retail bills.

Source: AEMO, ABS, ACCC, LSEG JKM forward curve, Arthur D. Little

For more information



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