CLIMATE ENERGY FINANCE

Energy crisis: $322b over a decade if multinational tax avoidance and royalties improved

17 August, 2022, Sydney, Australia: Introducing an equitable multinational corporate taxation and progressive royalty regime on Australia's public fossil fuel resources could contribute $322bn of tax and royalty income over the coming decade, a new report from Climate Energy Finance says.

With Australia amid an energy crisis and hyperinflation in fossil fuel commodity prices globally, Australia can use the current windfall war-profits of the fossil fuel industry to support fiscal repair.

The report, ***Windfall profits: time to fix loopholes and subsidies to serve Australians better***, recommends reforms to address fossil fuel tax loopholes, tax avoidance, and a range of existing tax structures that are no longer fit for purpose or failing to deliver on expected revenues.

Tim Buckley, Director of Climate Energy Finance said:

"It beggars belief that the companies who say they are the backbone of Australia's budget revenue cry wolf to secure handouts, such as the diesel fuel rebate.

"Tax avoidance by foreign companies extracting Australia's public resources is perverse. And with Australia's record debt there is no better time for the government to rein in these loopholes and ensure foreign companies start to pay their corporate tax and limit their accounting tricks.

"Fossil fuel subsidies are a drain on our economy and must be ceased. Even capping fossil fuel subsidies to $50m per company would create a $4-5bn p.a. lift in receipts whilst improving Australia's energy security and incentivising electrification and decarbonisation."

The report recommends four policy adjustments to concurrently address the massive energy crisis impacting Australian consumers and industry alike, whilst reducing subsidies and closing multinational tax loopholes, which will in turn accelerate the energy transition and decarbonisation of the Australian economy:

1. **Capping the diesel fuel rebate**: After sixty years of mining sector subsidies, it is overdue for the $7-9bn annual diesel fuel rebate to be phased down. At a time of record mining industry profits and record consumer costs for all consumers paying petrol excise, capping this subsidy at $50m per group per year would immediately raise $4-5bn annual revenue, with no impact on any but the top 10 multinational mining firms in Australia, all of whom are reporting exceptional returns on investment using finite public assets.

2. **Ensuring multinationals pay Australian corporate tax:** The Australian Tax Office transparency data initiative highlights that in the last reported financial year, the top 20

fossil fuel multinationals generated over $113bn of revenues in Australia but paid just $1.3bn in corporate tax.

a. ExxonMobil paid zero corporate tax on $16bn of revenue.
b. Shell paid zero tax on $5bn of revenue.
c. HK owned Energy Australia paid zero corporate tax on $7bn of revenue.

3. **Fixing the failed PRRT**: The Petroleum Rent Resources Tax (PRRT) generated a record low $900m in FY2021 and continues to deliver just a 3-4% royalty on offshore oil & gas for Australia. This is despite $11bn being spent in fossil fuel subsidies in 2021/22. At a time Norway is set to receive $135bn in fossil fuel taxes this year, it is long overdue that the recommendations of the Federal Callighan Review into the PRRT failure be implemented. Australia needs to cease all fossil fuel subsidies. There should be an annual cap on the diesel fuel subsidy of $50m per firm. This would give an immediate $4-5bn p.a. lift in receipts whilst improving Australia's energy security and incentivising electrification and decarbonisation.

4. **An Export Gas Levy**: Despite gas production trebling since 2014, Australians are being smashed by gas cartel gouging. A new export-only East Australia gas levy would immediately provide the price signal to prioritise domestic use and would bring in much needed Federal revenue whilst immediately reducing both gas and electricity prices in our domestic market by the full extent of the export levy. The Australian Domestic Gas Security Mechanism (ADGSM) is not fit for purpose. Fossil fuel exporters must start to pay a fairer share of royalties and corporate tax, and a regulatory structure to prioritise Australian use of Australian public gas assets.

For media inquiries please contact:

- Ranya Alkadamani, Impact Group International
  +61 434 664 589 ranya@impactgroupinternational.com
- Annemarie Jonson, Director of Communications, Climate Energy Finance
  +61 428 278 880 annemarie@climateenergyfinance.org

For analyst inquiries please contact

- Tim Buckley, Director Climate Energy Finance,
  +61 40 810 2127 tim@climateenergyfinance.org

About Climate Energy Finance

Climate Energy Finance (CEF) is an independent, non-partisan Australian-based public interest think tank, founded in 2022. CEF conducts public interest research and analyses on global financial and economic issues related to the global energy transition as the world decarbonises, as well as the implications for the Australian economy, with a key focus on the threats and opportunities for Australian investments and exports. Beyond Australia, CEF's geographic focus is the greater Asian region as the priority destination for Australian exports.