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OPINION

It's time for fossil fuel profiteers to pay their way

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Australia is currently feeling the brutal force of concurrent fiscal, energy and climate crises, with unprecedented hyperinflation of fossil fuel prices globally driven by Putin's invasion of Ukraine. We're seeing this reflected in escalating energy bills in Australia and surging cost of living and inflation, both for consumers and all downstream industries.

The multinational fossil fuel cartel is making supernormal profits from our public resources, at everyone else's expense.

The five “supermajors” – Shell, Chevron, ExxonMobil, Total and BP – report a combined global net profit of more than $87.3 billion in the second quarter of this calendar year alone.

Compounding this, the new Albanese government has been saddled with a trillion-dollar Morrison/Frydenberg government debt legacy, with warnings from the treasurer of more pain in the forthcoming federal budget.
There’s never been a better time – or a more urgent imperative – to take a cold, hard look at the super-profits currently enjoyed by fossil fuel companies, and the substandard tax and royalties regimes starving federal and state coffers of revenue, and Australians of the social dividend that should flow from use of our finite sovereign resources.

Our new analysis demonstrates that introducing an equitable multinational corporate taxation and royalty regime on Australia’s public fossil fuel resources would contribute an estimated $322 billion total in corporate tax and royalty income over the coming decade to state and federal governments. If applied from July 1, 2022 on current spot prices, this could be $55 billion this year alone, which is 54 times the annual federal spend on environmental protection.

As one of the three largest global fossil fuel exporters, Australia’s fossil fuel industry is booking record high profits in 2022. This should be clearly understood for what it is – a product of Russia’s war on Ukraine reducing supply, and thus war profiteering. The five “supermajors” – Shell, Chevron, ExxonMobil, Total and BP – report a combined global net profit of more than US$60 billion ($87.3 billion) in the second quarter of this calendar year alone.

An eastern Australia fossil gas levy applied only to gas exports would generate up to $30 billion in levy revenues over a decade, while immediately halving our record high electricity prices.

Yet, for all the fossil fuel lobbyists' narrative that our economy is dependent on these firms exploiting our public resources, it is alarming how little contribution is currently made by this industry to government receipts, net of outgoing fossil fuel subsidies, which amount to around $11 billion a year. In financial year 2020-21, state and federal royalties were just $4.4 billion from $69.7 billion in fossil fuel exports, a rate of 6.2 per cent.

This is particularly pertinent in the context that the majority of fossil fuel multinationals operating in Australia, including ExxonMobil, Peabody, Yancoal and Australia Pacific LNG, have paid precisely zero corporate tax in the last seven years that Australian Tax

Office data is available, 2014-2020, on a collective $228 billion of revenues. In the last decade, and despite receiving huge fossil fuel subsidies, Santos booked a net corporate tax credit of $312 million.

Even without any major new taxes, there are clear steps the federal government needs to take to rectify this picture.

Ceasing fossil fuel subsidies would deliver $11 billion back into the federal budget annually. An annual cap on the diesel fuel subsidy of $50 million per firm would provide an immediate $4 billion to $5 billion revenue lift alone, while improving Australia's energy security and incentivising electrification and decarbonisation.

Reform of the failed Petroleum Rent Resources Tax (PRRT) is also long overdue, and can be acted on quickly in light of the multiple reviews already completed by Treasury. The PRRT generated a record low $900 million in FY2021, and continues to deliver just a 3 per cent to 4 per cent royalty on offshore oil and gas for Australia. Modelling undertaken for the Callaghan review in 2018 found that if oil and LNG prices remain elevated, the PRRT could deliver $45 billion over 10 years and $230 billion to 2050.

An eastern Australia fossil gas levy applied only to gas exports would immediately redirect supply to domestic users and solve the domestic gas "shortfall" and price crisis – which is a direct product of multinationals shipping three-quarters of our gas overseas and gouging domestic consumers at often more than export parity prices for our own gas. Our analysis shows it would also generate up to $30 billion in levy revenues over a decade, while immediately halving our record high electricity prices.

The flat 7 per cent to 8 per cent NSW coal export royalty is long overdue for a review and uplift. Queensland Treasurer Cameron Dick set the gold standard in this year's state budget by introducing an exceptionally progressive six-tier coal export royalty regime ranging from 7 per cent to 40 per cent of revenues, depending on coal prices. This will ensure the fossil fuel industry's windfall gains are shared in the form of increased government investment in areas such as hospitals and in establishing value adding in Australia's world-leading critical minerals industry.

All of the above would deliver a net benefit to Australians, for example, generating revenue for vital social, health and education services, and lowering the domestic cost of gas and hence electricity produced from Australia's public resources. It would also potentially underpin the fiscal capacity to expedite emergency payments to those most harshly hit by rampant fossil fuel price inflation, and to offset skyrocketing domestic energy costs by funding energy efficiency and distributed energy solutions – EVs, rooftop solar, induction cookers, ground heat pumps – to permanently reduce reliance on fossil fuels.

In the face of the compounding crises gripping our country, the time to act is now.