Want to stop high energy prices? End addiction to imported oil

The lesson is clear: fossil fuels are inherently volatile, expensive, and risky. The solution is obvious: electrify and decarbonise our transport.

Tim Buckley, Annemarie Jonson and **Matt Pollard AFR Opinion**

The weekend saw a seismic escalation in the conflict in the Middle East, as the US bombed Iran's key uranium enrichment facilities. This followed Israel's campaign of military intervention on the justification that Iran must be prevented from developing nuclear capabilities.

The situation represents a dramatic increase in geopolitical instability in the region – a key source of global fossil fuel energy production and exports – and has potentially dire consequences for worldwide energy markets and economies dependent on imports for their energy needs. Australia is one such economy.

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Iran's parliament has voted to close the Strait of Hormuz, the vital shipping channel through which 20% of the world's daily oil flows. The final decision now rests with Iran's Supreme National Security Council, but global markets have already reacted, with Brent crude oil benchmark prices rising.

In the event of a sustained conflict, prices could potentially surpass the highs from Russia's invasion of Ukraine, exceeding US$130 a barrel. The benchmark has already gained over 13% in the past month as tensions across the region have escalated.

Australia is almost entirely reliant on imports for its oil supplies, with over 90% of all refined oil products imported, such as diesel, petrol and aviation fuels, as well as crude oil feedstocks used in refineries.

This leaves us highly vulnerable and exposed to supply shocks like the one we see potentially developing in real time before our eyes. While Australia's largest oil imports are from Singapore, these supply chains depend heavily on primary fuel extracted in the Middle East.

Our degree of vulnerability is apparent in the latest energy import data. It shows Australia has just 26 days of diesel reserves as of April this year, 31 days coverage for petrol, and an average of 32 days cover for all oil and petroleum products based on consumption figures.

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This wafer-thin margin of reserves, coupled with the likely skyrocketing of prices should the Hormuz choke point close, presents a threat not just to our energy security, but to our economic and national security, given they are inextricably linked.

This is a stark reminder of the impacts on Australia of the last global energy crisis. From 2020-2023, we saw rapid hyperinflation of diesel and oil product imports into Australia, exacerbated by Russia's invasion of Ukraine in February 2022, reshaping energy dynamics.

From lows in October 2020 during COVID-19, average oil import prices rose 244% to June 2022 in Australia. While average prices have deflated from these highs, they remain significantly elevated. A global supply shock from this position risks hyperinflation well above prices realised in 2022.

Energy prices became a central pillar of the May federal election and are a key driver of the ongoing cost-of-living crisis plaguing Australians. The lesson is clear: fossil fuels are inherently volatile, expensive and risky, as the current emerging crisis – the latest in a cascading series – again demonstrates.

An obvious solution

There is a solution, and it is obvious. We need to get over our addiction to imported oil and electrify and decarbonise our transport, decouple from a market we do not control and to which we remain beholden to our detriment.

Australia must accelerate the speed and scale at which it deploys renewable energy, zero-emission grid-firming capacity and distributed energy resources, such as rooftop solar and home batteries, to enable the transition to electrified transport.

We need supportive policies such as the continuation of electric vehicle tax breaks and strong fuel efficiency standards to accelerate the take-up of EVs and replace our petrol-dependent fleet. Consumers will be the beneficiaries of huge cost savings, alongside a massive win for our climate.

Our world-leading mining industry, the largest consumer of imported diesel, will also be impacted by any price spike catalysed by the current turmoil. We need a policy and regulatory environment that incentivises our big miners to invest in electrification and decarbonisation of diesel machinery, such as electric haulage trucks, removing their dependence on diesel.

As Fortescue has argued, this requires the federal government to reform its single biggest fossil fuel subsidy program – the Fuel Tax Credit Scheme, a top 20 Budget expense – that has provided major tax concessions to Australia's largest diesel consumers to continue to guzzle the fuel for decades. These concessions will amount to an astounding $185 billion in tax receipts foregone to the Australian economy over the 24 years to 2030.

The current crisis is just the latest signal that our energy security and independence must be a top-tier and urgent government priority. This requires an accelerated transition from fossil fuels and a pivot to position Australia to leverage the immense opportunities of the emerging decarbonised global economy. Our economic resilience and prosperity depend on it.

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https://www.afr.com/policy/energy-and-climate/want-to-stop-high-energy-prices-end-addiction-to-imported-oil-20250624-p5m9rp