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Investment for
Australia's Renewable
Energy Transition

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MEDIA RELEASE

FEDERAL BUDGET: “F” ON FOSSIL FUEL TAX REFORM, NO NEW BIG-TICKET ENERGY TRANSITION WINS BUT SOME GOOD NEWS BURIED IN THE FINE PRINT

Overview

- After substantial recent investment in accelerating Australia’s renewable energy transition and green industrialisation – principally via the Albanese Government’s flagship Future Made in Australia (FMIA) program – **the 2026 Federal Budget released last night lacked any big-ticket new commitments to grow our national ambition to become a renewables superpower and zero-emissions trade and investment leader**, and featured some reduction of previously announced funding. The Budget saves \$1.3bn over 10 years from redirecting part of the \$19.7bn 2024–25 Budget measure for FMIA, and \$1.9bn is rightly cut from Hydrogen Headstart.
- In the “fine print”, however, **when the December 2025 MYEFO and 2026 Budget are put together, there is an extra \$12.3bn over the forward estimates for net zero transformation, building on a previous ~\$60bn in FMIA commitments since the Albanese Government’s October 2022 Budget**. While this is substantial and the momentum directionally correct, Australia still needs to accelerate the speed and scale of capital investments, allocations and deployments to align with the climate science and leverage the massive investment, employment and export opportunities of the net zero economy. The economic risks of not doing so are huge. (This \$12.3bn is gross additions, cuts of ~\$2.5bn to emissions programs are not reflected here, which is deceptive.)
- **A key missed opportunity, in the context of escalating climate change and a cost of living crisis driven by the global fossil fuel supply shock, was reform of fossil fuel taxes and subsidies**. The government declined to introduce a proposed **25% gas exports levy** at a moment when prices are hyperinflated by Trump's war in the Middle East, a reform which could have delivered \$17bn annually to the Budget and funded cost of living relief. There was no change to the **PRRT**, projected to deliver a measly \$1.6bn pa over 4 years to 2029. The \$11bn annual cost of the diesel **Fuel Tax Credit Scheme** remained untouched, leaving taxpayers out of pocket and disincentivising mining majors – its key beneficiaries – from investing in decarbonisation (e.g. transitioning to electric trucks), as it keeps them addicted to imported diesel. The government’s temporary cuts to petrol and diesel excises sustain this national dependency.
- **Inaction on fossil fuel tax reform fails to deliver a fair return to Australians** from multinational gas giants’ exploitation of our sovereign assets. **And it does not strategically decouple our economy at speed and scale from expensive, volatile imported oil so as to permanently ensure our energy security** and insulate us from future threats. The new \$7.5bn Fossil Fuel and Fertiliser Security Facility and a \$3.2bn Fuel Reserve are needed but actually lock in our addiction, undermining the capital needed to underpin the serious long-term work of structural reform.

TIM BUCKLEY, director of independent public interest think tank [Climate Energy Finance](#), and former MD of global investment bank Citigroup said:

“This budget reflects the many competing needs facing Australians, and the challenge of addressing decades of systemic privilege that has locked in intergenerational inequity into our tax system. I applaud the move to tax discretionary trusts at 30%, a hard reform to ensure the most wealthy can't profit shift and disperse without accountability. The need for greater spending is clear, as is the conflicting objective of reining in government spending to ensure we don't leave an excessive indebtedness for future generations to deal with.

In this context, it is pleasing to see new budget funding across MYEFO in December 2025 and this 2026 budget of some \$10bn (net of cuts) over the forward estimates (~\$16bn net over the coming decade) for lowering emissions across our economy and enabling structural reform to address inevitable and overdue energy system transformation. Whilst the \$7.2bn home battery scheme is the majority of this, there were also funding boosts for the Clean Energy Finance Corporation (CEFC), National Reconstruction Fund Corporation (NRFC) and Net Zero Fund (NZF) – the alphabet soup of Specialist Investment Vehicles (SIV) now building capacity to enable the whole of economy transformation needed. This builds on the \$60bn of decarbonisation and FMIA funding initiatives already put in place over the last four Chalmers budgets.

A good start, but we need to be more ambitious yet, the cost of climate inaction is simply too extreme to allow.

A glaring omission in this budget was the failure yet again to reform fossil fuel taxes and subsidies. Against the backdrop of the global fossil fuel shock and cost of living crisis, the government had the opportunity to introduce a 25% levy on gas exports to ensure a fair return to Australians as the war hyperinflates gas prices. Instead, it buckled to appease the war-profiteering gas industry. Likewise, the failed PRRT, which will deliver just \$1.6bn pa over the next four years, was untouched. And the unsustainable impost of the \$11bn pa diesel Fuel Tax Credit Scheme, the key beneficiaries of which are mining majors, sailed through unscathed. This inaction maintains our addiction to imported diesel when a key imperative of this budget should have been structural reform to urgently decouple from expensive, volatile imported oil and secure energy independence ahead of inevitable future threats.”

BLAIR PALESE, founder of [Climate Capital Forum](#), Director of Philanthropy at Ethinvest, and one of The Australian's Top 100 Green Energy Players, said:

“In the midst of an energy crisis, this is a budget that has cut \$1.3bn from Future Made in Australia, provides nothing to help electrify the freight and transport sectors, creates a cloud of uncertainty with flagged changes to CGT regime for investment in the renewables sector.

“For a world in transition, this budget sends a message that Australia is still stuck in the past - it has missed the opportunity to send a strong signal to clean energy investors that Australia is growing its clean energy commitments and setting the conditions for them to invest in renewable energy projects, jobs and green industrial capability.”

TIM AND BLAIR ARE AVAILABLE FOR INTERVIEW

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