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2026–2027

The Parliament of the Commonwealth of Australia

HOUSE OF REPRESENTATIVES · TREASURY

Petroleum Resource Charge

Policy statement

Bill: Petroleum Resource Charge Bill 2026 No. , 2026
Act citation on assent: Petroleum Resource Charge Act 2026
Portfolio: Treasury · Companion EM circulated with the Bill

30 per cent of the gas taken. Not of the profit declared.

1 Decision

From 1 July 2027, petroleum recovered under a Commonwealth offshore title is charged at 30 per cent of its statutory value. The value is quantity taken times the Japan Korea Marker. No cost is deducted. A claim that the project has not made a profit is irrelevant.

Petroleum recovered on or after 1 July 2012 on which no royalty was paid is charged at the same 30 per cent, as a recoupment debt, minus only royalty, petroleum resource rent tax and Australian company tax that was actually paid. The debt is collected by refusing cargo clearance.

2 Why profit taxes failed

Commonwealth waters beyond three nautical miles carry no royalty, except the North West Shelf. The Petroleum Resource Rent Tax was the substitute. It is a 40 per cent tax on profit after costs, and those costs are carried forward and uplifted. Integrated liquefied natural gas projects set the upstream price inside the group, through the gas transfer price, a toll, or a marketing hub.

The result is on the record. Gorgon, Wheatstone, Pluto, Prelude and Ichthys have paid no royalty. Treasury has told Parliament that no liquefied natural gas project had paid petroleum resource rent tax, and that many were not expected to pay significant amounts until the 2030s. The 2023 deductions cap still leaves the tax at 4 per cent of assessable receipts, and only after a seven-year delay, with the denied amounts carried forward.

These projects have been producing for years. The cost-recovery period was the design. It is over. Further reliance on a profit test repeats the failure, because the same groups will keep reporting that the Australian project has not made a profit.

3 The rule

- Charge the gas taken, not the profit reported.
- Price it on a published index. Ignore a related-party contract that comes in lower.
- Allow no deduction, uplift, credit or offset against the charge.
- Apply the same rate to every titleholder, Australian and foreign.
- Collect at the ship. No clearance, no export.
- Recover the royalty-free years at the same rate, credit only for tax paid.

4 What is closed

A profits tax is beaten by moving the profit. The charge cannot be beaten that way.

- Carried-forward capital and uplift do not reduce the charge. They are not in the formula.
- A Singapore marketing hub, a toll, or an internal sale below the Marker is ignored. The Marker is the price.
- Related-party debt and service fees do not reduce the charge. Above a published benchmark they also lose their company-tax deduction, and project debt above 30 per cent of asset value is not deductible.
- Selling the interest does not clear accrued charge. The buyer takes the unpaid debt unless the Commissioner has given a clearance.
- A State agreement or a stabilisation clause does not bind the Commonwealth on this charge.
- A double tax agreement does not reduce an Australian tax on Australian petroleum. Relief, if any, is claimed in the country of residence.

The charge is not imposed on named foreign companies. Chevron, Shell, ExxonMobil and Inpex pay because they hold the titles, on the same terms as Woodside and Santos where those companies hold royalty-free offshore petroleum.

5 Recoupment

The public resource was taken. The years of production without a royalty are not written off. The debt is 30 per cent of the statutory value of royalty-free petroleum recovered from 1 July 2012 to 30 June 2027, less tax actually paid on that petroleum. It is payable in eight quarterly instalments from 30 September 2027. Interest runs on the unpaid balance. A sale of the interest, or a production cut that is not a reservoir fact accepted by the Commissioner, makes the balance due at once.

Enforcement is the loading arm. An instalment 30 days overdue stops further cargoes from that project until the arrears and the next two instalments are paid.

6 Revenue

No official costing is attached to this exposure draft. External estimates are the scale marker only. The Australia Institute has estimated that a 25 per cent tax on gas exports would raise about $17 billion a year, and that 56 per cent of Australian exported gas, and about 73 per cent of Western Australian exported gas, pays no royalty. A 30 per cent charge on recovered petroleum is a higher rate on a wider base than that estimate, because it applies to petroleum recovered rather than to a declared export profit, and because the recoupment debt is additional.

A Treasury costing, using production reports and export manifests, is required before introduction. The Schedule projects are Gorgon, Wheatstone, Pluto, Prelude and Ichthys, plus any other offshore project that paid no royalty.

7 Administration

- The Commissioner of Taxation assesses and collects the charge and the debt.
- Quantity is taken from reports already lodged under the Offshore Petroleum and Greenhouse Gas Storage Act 2006 and from export manifests.
- The Commissioner publishes, each year, volume, statutory value, charge paid, debt paid, petroleum resource rent tax paid, company tax paid, and beneficial owners.

– Directors of the operator are liable if the company does not pay within 90 days. The civil penalty for failure to lodge is twice the unpaid charge.

8 What this policy does not do

– It does not set a domestic gas reservation. That is a separate instrument.
– It does not replace State royalties on onshore gas. Those continue.
– It does not tax the North West Shelf a second time on petroleum that already paid a Commonwealth royalty. Feed gas from a non-royalty field is charged.
– It does not ask a project whether it has made a profit.

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