



Policy costing

Ban all new coal, oil and gas across Australia and terminate all exploration rights in marine parks	
Party:	Australian Greens
Summary of proposal: This proposal has three components. <ul style="list-style-type: none">• Component 1: A prohibition on any new coal mines, as well as onshore and offshore oil and gas projects. For oil and gas this component prohibits any new onshore gas (fracking) and offshore oil and gas projects. The proposal would mean that any new oil and gas projects that have been publicly announced but not yet committed to would no longer commence.• Component 2: Reverse Government expenditure allocated for the Beetaloo feasibility study component of the 2019-20 Budget measure <i>Supporting Reliable Energy Infrastructure</i>.• Component 3: Revoke existing exploration permits in marine parks with no compensation. This proposal would commence on 1 July 2019.	

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by \$141.6 million over the 2019-20 Budget forward estimates period. This impact reflects a decrease to revenue of \$150.0 million that is partially offset by a decrease in departmental expenses of \$8.4 million.

There are a number of coal, oil and gas projects that are scheduled to commence after the 2019-20 Budget forward estimates period and, as such, there would be a significantly greater revenue impact over the period to 2029-30. A breakdown of the financial implications of the proposal to 2029-30 is included at [Attachment A](#).

There would be a departmental saving due to the reversal of funding for the Beetaloo feasibility study. There is some uncertainty over the level of contractually committed funds as at 1 July 2019 as the information provided to the Parliamentary Budget Office (PBO) was correct as at 15 April 2019.

The revenue impact of Component 3 (revocation of existing exploration permits in marine parks) is included in Component 1 (no new coal, oil and gas projects) and there would be no expense impact as no compensation would be provided.

This costing has only identified a limited number of future projects and, as such, the costing is highly sensitive to the potential profitability of these projects.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	5.0	2.7	-59.3	-90.0	-141.6
Underlying cash balance	5.0	2.7	-59.3	-90.0	-141.6

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- All future coal, oil and gas projects, as currently identified in the publication *Resources and Energy Major Projects List* by the Department of Industry, Innovation and Science, would be affected by this proposal.
 - Where a project is currently listed as feasible by the Department of Industry, Innovation and Science, it is assumed that this project has not been incorporated in the Budget baseline and has therefore not been included in this costing.
- There will be no material impact on global coal, oil and gas prices as a result of prohibiting new coal, oil and gas projects in Australia.
- The average oil price would be US\$58 per barrel at the end of the 2019-20 Budget forward estimates period and its real value would be maintained over the period to 2029-30 by growing it in line with the consumer price index (CPI).
- The average thermal coal price would be approximately US\$91 per tonne and the metallurgical coal price would be approximately US\$150 per tonne at the end of the 2019-20 Budget forward estimates period. The real value of coal prices would be maintained over the period to 2029-30 by growing them in line with the CPI.
- All affected companies would have an annual turnover above \$50 million and hence would be subject to the 30 per cent corporate tax rate.
- All affected companies would be in a taxable position.
- The tax payable by affected oil and gas companies would be approximately 2 per cent of their total income and the tax payable by affected coal mining companies would be approximately 4 per cent of their total income.
 - This is based on the ratio of tax payable to total income for coal, oil and gas extraction companies, and mining companies in the *2016-17 Taxation Statistics* published by the Australian Taxation Office (ATO).

Methodology

Projects yet to commence were identified using the *Resources and Energy Major Projects List* from the Department of Industry, Innovation and Science. Only projects labelled as 'Publicly announced' were factored into the revenue impact. The expected value of coal, oil, gas and gas-derivative products from these projects was calculated based on data provided by Wood Mackenzie and the Department of Industry, Innovation and Science. The value of each commodity was then multiplied by the tax payable to total income ratio to calculate the forgone corporate tax revenue.

The Beetaloo feasibility study component was calculated by reversing the uncommitted costs of the study, as provided by the Departmental of the Environment and Energy.

Revenue estimates have been rounded to the nearest \$10 million. Departmental expense estimates have been rounded to the nearest \$100,000.

Data sources

Commonwealth of Australia, 2019. *2019-20 Budget*, Canberra: Commonwealth of Australia.

The Treasury and The Department of Finance, 2019. *Pre-election Economic and Fiscal Outlook 2019*, Canberra: The Treasury and The Department of Finance

Australian Taxation Office, 2019. *Taxation Statistics 2016-17*, Canberra: Australian Taxation Office.

Department of Industry, Innovation and Science, 2018. *Resources and Energy Major Projects List*, Canberra: Department of Industry, Innovation and Science.

The Department of the Environment and Energy provided information on the proposed expenditure of the Beetaloo feasibility study as at 15 April 2019.

Wood Mackenzie provided detailed project level information on potential oil and gas projects.

Attachment A – Ban all new coal, oil and gas across Australia and terminate all exploration rights in marine parks – financial implications

Table A1: Ban all new coal, oil and gas across Australia and terminate all exploration rights in marine parks – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Revenue													
<i>Component 1: No new coal, oil and gas projects</i>	-	-	-60.0	-90.0	-110.0	-120.0	-400.0	-470.0	-490.0	-500.0	-520.0	-150.0	-2,750.0
Total – revenue	-	-	-60.0	-90.0	-110.0	-120.0	-400.0	-470.0	-490.0	-500.0	-520.0	-150.0	-2,750.0
Expenses													
<i>Departmental</i>													
<i>Component 2: Cancel Beetaloo feasibility study</i>	5.0	2.7	0.7	-	-	-	-	-	-	-	-	8.4	8.4
<i>Component 3: Revoke exploration permits in marine parks</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – expenses	5.0	2.7	0.7	-	-	-	-	-	-	-	-	8.4	8.4
Total	5.0	2.7	-59.3	-90.0	-110.0	-120.0	-400.0	-470.0	-490.0	-500.0	-520.0	-141.6	-2,741.6

- (a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- (b) Figures may not sum to totals due to rounding.
- Indicates nil.