

# Fact Sheet

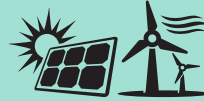
## Australia can leverage its assets to protect itself from oil shocks



Australia is highly vulnerable to oil shocks due to its low self-reliance and stockpiles



In the short term, Australia could leverage its LNG exports to drive bilateral supply agreements



Longer term, Australia can use its abundant renewable resources to electrify



Increased taxes on LNG exports can help fund cost-relief and fuel-shift measures

### Australia is highly vulnerable to oil shocks

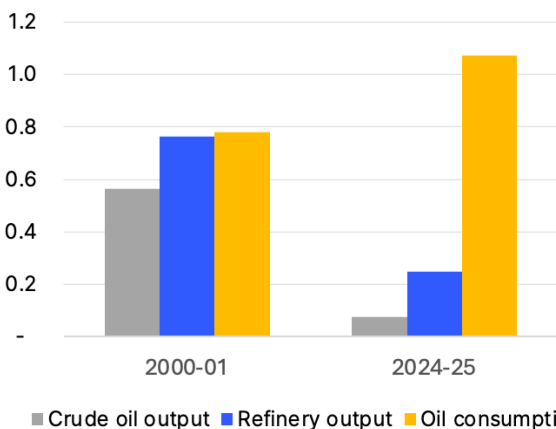
Australia's exposure to global oil shocks has dramatically increased in the past 25 years as our domestic oil production dwindled, and Australia is now much more exposed than its peers:

- ▶ Domestic oil production only amounts to 5.6% and refinery output to 17% of Australia's demand.
- ▶ Australia has the world's largest trade deficit in refined petroleum products, by some margin.
- ▶ Stockpiles are precariously low: 37 days of petrol, 30 days or less of diesel and jet fuel.
- ▶ Australia has the lowest level of oil stocks of all IEA members, well below the 90-day mandate.

Australia is highly exposed to the Middle East through the Asian refineries that process our imports. Some countries, such as China, are restricting exports to prioritise their domestic markets.

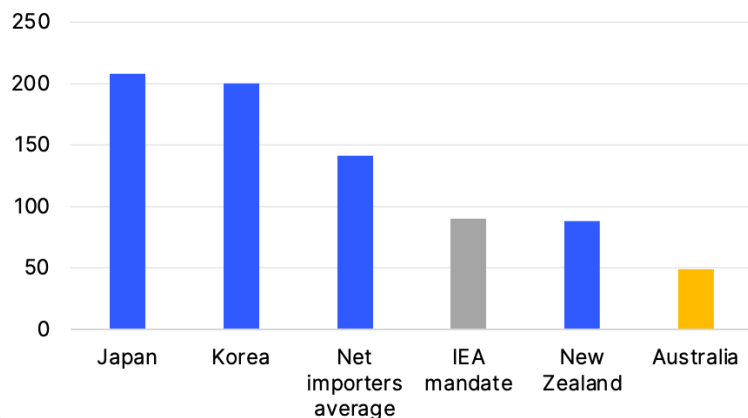
Australia's economy is highly exposed to oil shortages because oil is our largest energy source, representing 40% of Australia's energy use, and critical to many of our key economic sectors.

Australia oil production & use, million b/d



Source: Australian government

Oil stocks of IEA members, days of net imports (Dec 25)



Source: IEA

READ MORE



The perfect storm to boost energy security



Gas reservation policy design critical as conflict hits global supplies



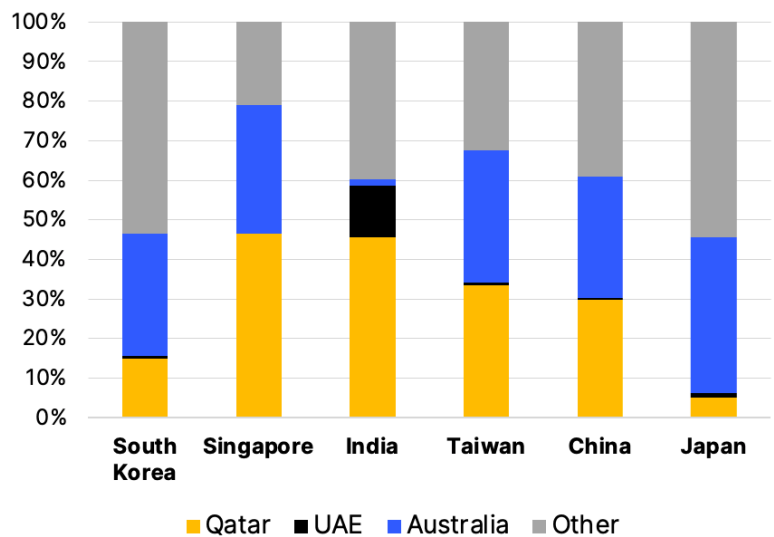
Australians sharing in windfall LNG profits? A no-brainer

# Short-term solutions: act swiftly to reduce demand, leverage our LNG

The Australian government should take rapid action to curb demand through low-impact measures, as recommended by the IEA, to make our stockpiles last longer.

Another lever Australia could explore is to negotiate bilateral crisis supply agreements with suppliers of oil products that are also large importers of liquefied natural gas (LNG) with significant exposure to the Middle East. New LNG export control mechanisms would be needed to give the government the power to prioritise LNG spot sales to specific countries. These could later be embedded in the new domestic reservation policy.

LNG imports source for suppliers of oil products



Source: Kpler

## Longer-term solution: urgently accelerate action on electrification

### Electrification is the most promising solution to improve energy security

- ▶ The IEA identifies electrification as the main solution to reduce oil demand.
- ▶ Electric vehicles (EV) are highly efficient; households could save \$1,440/yr by 2030.
- ▶ EVs are mature, reaching 20% of global car sales, and 2% of truck sales in 2024.

### Australia lags on electrification of transport and mining

- ▶ EVs only account for 2% of all cars, with Australia lagging many countries.
- ▶ Fewer than 300 electric vans and trucks were sold in 2024.
- ▶ Diesel use in mining could increase well into the 2030s as companies defer plans.

## Raise taxes on LNG exports for cost-relief and fuel-shift measures

Complementing those solutions with increased taxes on coal and gas exports, which are expected to attract elevated prices for the duration of the crisis, can help fund incentives for electrification and other fuel-shifting and cost-relief measures.

The current royalty regime on LNG exports is widely considered to be inappropriate, with very low levels of tax collection since the start of LNG exports. It places Australia at the lowest level of LNG royalty revenues globally.

As the government reportedly considers reviewing the tax regime, it should look beyond the short term to ensure Australians get their fair share of LNG export revenues.

### Main options for LNG tax reform

- ▶ Flat tax on LNG export revenue (e.g. 25%)
- ▶ Volume-based royalty
- ▶ Price-based royalty, which can have steps
- ▶ Windfall profit tax, above return threshold
- ▶ Cash-flow tax, applies to profits each year

## About IEEFA

The Institute for Energy Economics and Financial Analysis (IEEFA) examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy.