MAKING COAL, OIL AND GAS CORPORATIONS IN AUSTRALIA

PAY THEIR FAIR SHARE

FOR THE COSTS OF CLIMATE CHANGE

Make Big Polluters Pay Alliance

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Alliance

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We are a powerful coalition of climate disaster impacted communities, development, faith, climate, youth, social service, First Nations and Pacific organisations working hand in hand with allies. The Make Big Polluters Pay campaign aims to raise the voices of communities in Australia and the Pacific to highlight how the profit-driven fossil fuel industry is putting the costs of climate change onto communities and not contributing their fair share. We will fight for compensation for impacted communities and for cost-of-living relief for everyday people from coal, gas and oil corporations, who are most responsible for causing climate change, by campaigning for putting a levy on big polluting corporations responsible for climate pollution.

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We would like to acknowledge the Traditional Owners of the land on which we live and work and acknowledge that sovereignty has never been ceded. Make Big Polluters Pay would also like to pay their respect to Elders past and present.

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The Make Big Polluters Pay alliance Steering Committee is made up of representatives from Indigenous Peoples Organisation Australia (IPOA), Climate Action Network Australia (CANA), Climate Justice Coalition, Oxfam Australia, ActionAid Australia, Think Forward, Uniting Church in Australia, Victoria and Tasmania Synod, Tax Justice Network Australia, Jubilee Australia Research Centre, 350 Australia, Greenpeace Australia Pacific, Caritas Australia, Bushfire Survivors for Climate Action, Pacific Islands Council of Queensland, GetUp!.

The First Nations and Pacific Peoples Steering Committee is made up of representatives from Pacific Islands Council of Queensland, Oxfam First Peoples Team, Oxfam Pacific, Pacific Conference of Churches, GetUp!, Greenpeace Pacific, Seed Mob, Indigenous Peoples Organisation Australia, Loss & Damage Pacific Network, Pacific Youth Network.

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Report written by the Make Polluters Pay Alliance, August 2025.

Front: Jack Egan stands in front of his burnt-down home in Rosedale, NSW on New Year's Day in 2020. Photo: Cath Bowdler.

Inside cover: In 2024 one of the worst flooding crises in recent history hit Bangladesh. Relentless rainfall, overflowing rivers, and water releases from India triggered flash floods across 12 districts, with over 5.7 million people impacted, and at least 23 lives lost. Photo: Oxfam.

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Executive Summary

Coal, oil and gas corporations are most responsible for the pollution causing climate change, yet right now it is communities that pay the price. Climate disasters are hitting communities hard in Australia and the Pacific and the costs of insurance, food and other bills are rising due to climate change impacts. Meanwhile, big energy corporations continue to explore and expand coal, oil and gas projects, prioritising their profits, locking in more climate pollution and climate change because the true cost of their products - the cost of responding to the climate pollution - is being borne by government budgets and by the community. We need urgent Australian Government action to fix the system and to raise revenue for tackling climate change and supporting those most impacted.

The fossil fuel industry makes profits by externalising the true cost of its product - the impacts of climate change - onto the rest of society. Corporations have known for decades that their products are causing climate pollution that severely damages the climate, yet they have continued to unashamedly pursue profits and expand production.[1] Ever since the Paris Agreement was reached in 2015, which agreed to limit warming to 1.5°C, most fossil fuel corporations produced more climate pollution in the subsequent seven years than in the seven years prior.[2]

In Australia, 75 percent of Australia's climate pollution comes from burning coal, oil and gas, and big corporations also extract and export huge amounts of fossil fuels from Australia.[3] Since the Paris Agreement was signed in 2015, the Australian Government has approved 66 fossil fuel projects.[4] The Albanese Government alone has approved 27 coal and gas projects since taking office, including the approval of a massive gas expansion out to 2070 as one of its first acts in its second term.[5] There are 91 more fossil fuel projects in the pipeline.

The industry also benefits from substantial government subsidies while paying low taxes, at the same time spending hundreds of millions of dollars trying to maintain public support. Government subsidies to the coal industry grow from year to year, with over $1 billion handed out just last year via the Fuel Tax Credit alone.[6] The ATO has labelled the oil and gas industry "systemic non-payers" of tax.[7] In fact, over the 10 years to 2023-24 nurses paid $7 billion more in tax than the oil and gas companies did.[8]

With few taxes and royalties paid, significant government subsidies, and no requirement to pay for the cost impacts of the pollution they generate, it's clear that big coal, oil and gas corporations are not paying their fair share. Instead its government budgets and communities that are paying the price.

Climate disasters are escalating in Australia and the Pacific. Floods, bushfires, droughts, heatwaves and more severe storms are causing great harms and hardships. The Federal Government spends $200 million annually through the Disaster Ready Fund, yet economy-wide disaster costs are already estimated at $38 billion per year, equivalent to $3,800 for every household in Australia.[9] The costs of insurance, food and other bills are rising for households. For example, home insurance costs have increased by 14 percent between 2022 and 2023 in response to floods in New South Wales and Queensland.[10] These floods also caused agricultural losses, which increased fruit and vegetable prices by 5.8 percent.[11] Households in Australia are not getting the support they need to deal with the impacts and costs of climate change.

The situation is even more dire across the Pacific, where neighbors face climate disasters with minimal resources. In 2023, Vanuatu endured two cyclones in one week with recovery costs reaching 69% of GDP, followed by a third cyclone later that year.[12] Being forced to pay huge costs with very limited means is leading to a debt crisis as governments are forced to borrow funds to recover from climate change.[13]

It is imperative that the Albanese Government turn this unfair situation around, and ensure the industry responsible for the majority of climate pollution pays for the damage it causes and that communities have the resources they need to address the impacts of climate change and manage the increased costs. The Australian Government should:

- Put in place a Climate Pollution Levy on coal, gas and oil corporations , which could raise approximately $46 billion per year towards the climate damage these corporations are causing.
- Establish a Climate Compensation Fund to meet the needs of communities on the frontline of climate impacts and everyday households facing rising costs from climate change.

How to design a Climate Pollution Levy

The parameters for the design of a Climate Pollution Levy should meet these standards:

- Ensure coal, gas and oil corporations are fairly paying for their significant role in contributing to climate change;
- Raise revenue to address the harms caused by climate change and to support communities;
- Ensure the costs of the Levy are paid by the polluting coal, gas and oil corporations, with costs avoided for average Australians. This could be achieved through measures such as energy price controls, energy bill rebates and other measures as required;
- Make polluting forms of energy more expensive than renewable energy, reflecting their true cost including the social and environmental costs of pollution;
- Increase over time to keep income consistent as fossil fuels are phased out, and the legacy costs of climate change caused by fossil fuel pollution continue and grow;
- Income should be directed to a Climate Compensation Fund in its entirety to ensure funds raised are used to address the costs and the impacts of climate change in a fair, equitable, long-term and transparent way;
- Be implemented in this term of government - the cost of climate change is already hitting communities, they need support now.

The needs of communities and governments to deal with the costs of climate change are already substantial. We therefore propose that the Climate Pollution Levy should be set at a level to generate approximately $46 billion each year initially. This is unlikely to cover all the costs of climate change, but it is a fair contribution from big coal, oil and gas corporations. Further, it will provide a financial incentive for energy corporations to fast track plans to phase out fossil fuels and to phase in renewable energy, contributing to global efforts to mitigate climate change.

How to design the Climate Compensation Fund

Income from the Climate Pollution Levy must be ear-marked to fill the Climate Compensation Fund which must be developed in consultation with impacted communities. It should have funding distribution streams as follows:

- An Aboriginal and Torres Strait Islander (Zenadth Kes) Climate Self Determination Fund, a fund owned and controlled by Aboriginal and Zenadth Kes people;
- Support for climate disaster vulnerable and impacted communities;
- Support for households, communities and local governments to build resilience and to undertake the renewable energy transition;
- Support for a just transition for workers and their families;
- Increased international climate finance for developing countries to fund resilience in the region, including in the Pacific, for funds identified by Pacific peoples;
- A Safe Climate Future Fund, for addressing intergenerational impacts of climate change.

A coal truck in the Sonoma Coal mine on the outskirts of Collinsville
Credit: Greenpeace / Tom Jefferson

The introduction of a Climate Pollution Levy should be accompanied by other reforms to the taxation of the fossil fuel industry. Removing subsidies to coal, gas and oil corporations and reforming the Petroleum Resource Rent Tax, corporate taxation, and royalty systems are vital to ensure that Australians receive appropriate financial returns for the extraction of our non-renewable resources. But these reforms won't directly address the externalised costs of past, present and future climate pollution, drive action towards the zero emissions transition in a targeted way though a clear price signal, nor provide meaningful compensation to communities unfairly and harshly impacted by climate change. Hence, the need for a specific Climate Pollution Levy to fund a Climate Compensation Fund.

There is international momentum behind such an approach. In light of the urgent need for funds to address climate disasters, particularly in highly vulnerable and lower income countries, the Global Solidarity Levies Task Force was established and is considering how to raise climate finance for developing countries, including from levies on the fossil fuel industry.[14] With fourteen governments as members - including France, Spain, Fiji and the Marshall Islands - Australia could join their ranks. At a national level many countries have implemented additional taxes or levies on fossil fuels. In the United States, Vermont and New York State have put in place laws so that big fossil fuel companies pay for climate damage, with ten other states not far behind.[15]

Today, ordinary people are paying the price for climate change, whether it be through recovery from climate disasters or increased food, insurance and other bills. It's time big coal, oil and gas corporations, who make huge profits, often pay little tax, and are most responsible for climate pollution, pay their fair share. A Climate Pollution Levy to fill a Climate Compensation Fund is the fairest way to ensure that big coal, oil and gas corporations help pay for the costs of climate disasters, rather than the community.

Introduction

Coal, oil and gas corporations are most responsible for the pollution causing climate change, yet right now it is communities that pay the price. Climate disasters are hitting communities hard in Australia and the Pacific and the costs of insurance, food, and more are rising due to climate change impacts. This report outlines the case as to why communities need greater support in the face of climate change impacts and why it is fair that coal, oil and gas corporations should pay for the costs of their climate pollution. It recommends the Australian Government implement a Climate Pollution Levy on the fossil fuel industry to fill a Climate Compensation Fund for impacted communities and for cost-of-living relief for everyday people.

Why coal, oil and gas corporations should pay for their pollution

The fossil fuel industry makes profits by externalising the true cost of its product - the impacts of climate change - onto the rest of society. While the externalisation of the costs of pollution by industry has been a long-term problem, leading to the development of the polluter pays principle in international law,[16] the realisation that this pollution is causing the existential threat of climate change brings even more urgency to the need to address this. Yet decades on from the first IPCC report on climate change in 1990[17] - when scientific consensus was clear that burning coal, oil and gas caused severe damage to our climate - energy corporations have failed to properly incorporate the true costs of their pollution into their business model. While some governments have implemented levies for climate pollution to help address this, Australia has not.

The Carbon Majors database reveals that since the Paris Agreement was signed in 2015, (where countries agreed to take action to limit warming to 1.5°C), 80 percent of global fossil fuel and cement emissions have come from just 57 corporations.[18] These corporations are actively undermining the Paris Agreement and accelerating climate damage – most fossil fuel corporations have produced more emissions in the seven years since 2015 than in the seven years prior.[19] Doubling down on this, BP, Shell and Equinor recently announced they are shifting planned investment away from renewable energy and back into oil and gas.[20]

Here in Australia, 75 percent of Australia's climate pollution comes from burning coal, oil and gas.[21] Additionally coal and gas corporations extract and export huge amounts of fossil fuels from Australia, accounting for 80 percent of Australia's total emissions, second only to Russia in terms of exported emissions.[22] Of the four Australian companies included in the Carbon Majors database (BHP, Woodside, Santos and Whitehaven Coal), three have increased emissions since 2016.[23]

Further, fossil fuel exploration and project approvals continue in Australia. Since the Paris Agreement was signed in 2015, the Australian Government has approved 66 fossil fuel projects.[24] Most recently, this includes extending the Woodside's North West Shelf gas project in May 2025, one of the world's biggest gas facilities, which is now approved to produce gas to 2070,[25] exceeding Australia's commitment to net zero by 20 years[26] and will likely pay no royalties, totalling a $215 billion giveaway to Woodside.[27] There are a further 91 new coal and gas projects in the pipeline,[28] which seek to exploit vast new gas reserves. This is unconscionable at a time when the International Energy Agency has stated that further investment in new coal, oil and natural gas is inconsistent with keeping global warming to 1.5°C.[29]

With global and Australian emission reductions being inadequate to limit climate heating to 1.5°C, and with the high reliance on offsets[30], themselves problematic and of unreliable efficacy,[31] it is clear the policy settings and signals for phasing out fossil fuels have been insufficient. Energy corporations have had decades to act on climate change, but rather than prioritising phasing out fossil fuels and transitioning to renewable energy, the best that can be said is that they have prioritised profits over environmental and social outcomes. At worst, they have actively resisted and lobbied against change, greenwashing their businesses and intentionally spreading misinformation about climate change.[32] Accordingly, it's imperative and incumbent on the Australian Government to urgently undertake stronger regulatory measures to justly compel corporations to pay the true cost of their products out of their own revenue instead of unloading them onto society, and to shift rapidly to zero emissions.

Further, in July 2025 the International Court of Justice released its advisory opinion on the obligations of states in respect to climate change.[33] It found nations have an obligation under international law to prevent climate change and that they may be liable to pay compensation if they fail to do so, including obligations to compensate other countries harmed by climate disasters. The Court also found that countries are responsible to

regulate to protect the climate, including by limiting fossil fuel production, the licences to exploit fossil fuels it grants, or the provision of fossil fuel subsidies, and that if they don't they are committing "an internationally wrongful act which is attributable to that State" and are therefore liable for the resulting climate damage.[34] This only strengthens the case for action on coal, oil and gas corporations by the Australian Government.

If the Australian Government doesn't put in place fair legislation so that the fossil fuel industry pays for its climate damage, it's likely these corporations will end up paying to some extent anyway - through litigation, carbon border adjustment mechanisms, or other mechanisms - but the revenue raised won't go to the Australian Government. A Carbon Border Adjustment Mechanism (CBAM) has already been introduced in the European Union,[35] a CBAM will come into force in the UK in 2027[36] and Canada[37], as well as Australia[38] are considering implementing one. Other countries may follow suit over the coming years as emission reduction plans intensify to meet net zero targets. CBAMs are a levy based on the climate pollution embedded in imported products, if the pollution has not already been priced in the supply chain. If Australia doesn't embed climate pollution pricing in our exports, countries with CBAMs will collect the levies on pollution, rather than us. In relation to litigation, five of Australia's biggest fossil fuel producers have been found to be responsible for hundreds of billions of dollars in damages in an analysis by a US research team that developed a method to link individual companies to specific climate harms and put a dollar figure on the impact.[39] This may help in providing bolstered evidence for future litigation, in which case revenue raised would go to litigants and not to the Australian Government to fund climate change action.

If the Australian Government quantified the social cost of carbon[40] and applied this cost to the fossil fuel industry via a Climate Pollution Levy, it would provide a public source of funds to address the damage that fossil fuels are causing across society. Raising funds through a Levy and dedicating the use of that revenue to supporting those most climate impacted and towards credible solutions that accelerate a just transition to net zero not only makes economic sense, it is a just and equitable solution to this mounting problem. It would compel corporations to internalise the true costs of their product and result in economic choices that better reflect value to society.

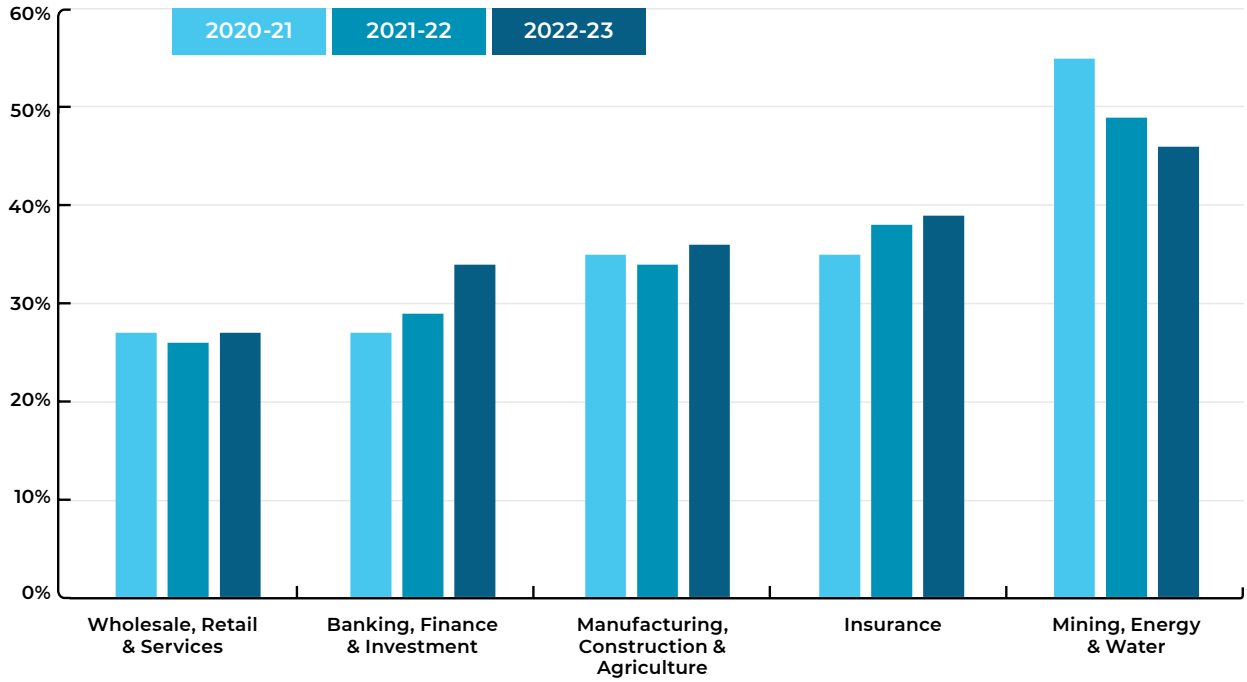
Tax paid by the fossil fuel industry: why so small?

Compared to other countries, Australia receives a negligible amount of tax from the fossil fuel industry. This is despite $369.6 billion in revenue for the industry in 2024-2025.[41] Coal and gas companies exploit loopholes to pay very low, or no, company tax.[42] They similarly exploit loopholes to avoid paying the poorly designed Petroleum Resource Rent Tax (PRRT).[43] These loopholes are often written in after lobbying from the fossil fuel corporations.[44] Many state governments are also giving away gas without charging royalties.[45] This adds up to a system which allows the fossil fuel industry to take ordinary Australians for a ride. They pay little – and sometimes no – tax, whilst being the biggest contributors to climate change. A Climate Pollution Levy is one means to address this tax gap and ensure these corporations pay their fair share.

Coal, oil and gas companies are able to avoid paying their fair share of tax through creative accounting tricks and tax planning. Companies can shift around their profits to reduce their tax burden. In 2017, international US oil major Chevron was caught using one of its US-based subsidiaries to loan money to itself at a high interest rate when it had borrowed the same funds at a low interest rate, claiming the interest payments to itself on funds borrowed to reduce its profits on paper in Australia, and pay no tax.[46]

In response to these and similar actions, the ATO labelled the oil and gas industry "systemic non-payers" of tax,[47] with companies in the mining, energy and water sector representing the highest proportion of companies recorded as paying no tax in the last three years (Figure 1). In fact, over the 10 years to 2023-24 nurses paid $7 billion more in tax than the oil and gas companies did.[48]

Figure 1: The proportion of companies that paid no tax[49]



Aforementioned American oil giant Chevron paid tax for the first time in Australia in 2021 – a measly $30 paid to the ATO on $9.1 billion of income, after paying no tax for at least seven years before and getting caught by the ATO for profit shifting.[50] Fellow American behemoth ExxonMobil, made their first payment in 2023 after paying no tax for the nine previous years.[51] Coal companies also frequently pay no tax while making billions in income; ATO records show multinational coal behemoths operating and profiting in Australia such as US-based Peabody Energy and Indian conglomerate Adani Group paid no tax in 2022-23.[52] Bangkok-based coal company Banpu has paid no tax since 2014.[53]

Despite pledging it would pay $22 billion in taxes and royalties when making the pitch for its coal mine in Queensland, Adani has paid precisely zero corporate tax since opening in 2021.[54] Tax experts think the way Adani has set up extremely complex and opaque intercompany payments means that it will likely never pay corporate tax.[55] For the year ended 31 March 2025 Adani's Carmichael coal operations recorded $1.3 billion in revenue, which was reduced to $462 million loss after various expenses including intercompany payments were claimed, resulting in no tax payable.[56] This is while government subsidies to the coal industry grow from year to year, with over $1 billion handed out just last year via the Fuel Tax Credit alone.[57]

The situation is exacerbated by poorly designed royalty schemes. More than half the gas extracted in Australia for export is given away for free - without any federal or state royalties.[58] That's $149 billion worth of LNG without royalties out of $265 billion total LNG exports.[59] Even where royalties are charged, they are charged at an extraordinarily low rate. Across the four years from 2020-21 to 2023-24 LNG exports raised royalties of $10.4 billion from $265 billion LNG exports, about a 4 percent rate.[60]

For comparison in Norway, a country similar to Australia with an advanced economy that extracts and exports significant fossil fuels, the oil industry is required to pay the Norway CO2 tax of NOK 761 ($115) per tonne of CO2.[61] This tax is required on top of the EU Emissions Trading Scheme,[62] at USD $70 ($107).[63]

A second comparison is to Qatar, a country which exports almost the same amount of LNG as Australia along with a slightly larger oil industry. On an energy basis, Qatar produces 50 percent more oil and gas than Australia.

However, the revenue received by Qatar from its oil and gas industry is six times greater than received by Australia.[64]

We know that it is possible to increase charges on fossil fuels. Some success has been made in coal royalties in Queensland. In 2022 the Queensland Labor government, supported by the conservative opposition, introduced a large increase in coal royalties on the basis of using the funds to provide cost of living relief, education spending and infrastructure improvements.[65] Increases in royalties went through in spite of the mining lobby running a concerted campaign against the change.[66] Since then, New South Wales has followed suit by increasing coal royalties, albeit at a lower rate.[67]

The broken Petroleum Resource Rent Tax

The Petroleum Resource Rent Tax (PRRT) was introduced in 1998 to tax oil and gas extraction at a 40 percent rate. However, it has many loopholes – including allowing companies to use complicated formulas to calculate how much the gas is worth and therefore how much profit they make and allowing them to claim investment made at inflated, or uplifted, values – that it raises almost no tax for Australians.[68]

It is so badly designed that Shell doesn't ever expect to pay PRRT on one of the country's biggest gas projects, Gorgon, which has a projected life span of more than 40 years.[69]

The PRRT was reformed in 2023 yet income from the PRRT remains miniscule at $6.3 billion, which is about half, and $4 billion less, than what was forecast.[70] Gas industry lobbying ensured the reforms were largely ineffectual, and that the main loopholes remain. Senator David Pocock has called this a "rort".[71] In fact Australians pay four times more HECS than gas companies pay PRRT.[72]

Reforms to fossil fuel taxes in addition to a Climate Pollution Levy

The introduction of a Climate Pollution Levy should be accompanied by other reforms to taxation of the fossil fuel industry. Removing subsidies to coal, gas and oil corporations and reforming the PRRT, corporate taxation, and royalty systems are vital to ensure that Australians receive appropriate financial return for the extraction of our non-renewable resources.

The reform of the PRRT would require it to be completely rewritten, the loopholes removed entirely - uplift of investment depreciation removed, a set price for the 'worth of gas' - and the tax rate doubled to 80 percent. Alternatively, the PRRT could simply be replaced with a royalty on offshore fossil fuel extraction projects in Commonwealth Government waters.

But these reforms won't directly address the externalised costs of past, present and future climate pollution, they won't provide a targeted price signal on pollution to fast track change, nor establish a fund for communities facing climate impacts. Hence, the need for a specific Climate Pollution Levy to fund a Climate Compensation Fund.

The costs of climate change to our communities

People and communities affected by destructive disasters like bushfires or floods, or slower-moving disasters like drought, heatwaves or sea level rise, are those whose stories paint a picture of being personally harmed by climate change, and who face further harms in the future. Their losses range from harms to mental and physical health and wellbeing, deep impacts across communities, through to massive tangible and financial losses. While some of these losses have eventually been recovered through enormous effort and determination, many continue long term. Many of these losses cannot be compensated at any cost; but those that can, should be.

Federal, state and territory governments are facing increasing costs to assist communities to recover from disasters made worse by climate change. Likewise businesses have been forced to allocate resources to respond and make infrastructure more resilient to more extreme climate events. Farmers are bearing the costs of adapting agriculture to address new climatic conditions including worsening droughts and floods. And

householders are paying with higher costs in insurance[73], food,[74] energy,[75] health care,[76] council rates[77], as well as the cost of lost work time and productivity during extreme weather events, and recovery of homes from climate disasters.

Costs of climate disasters

Deloitte Access Economics estimates that the economic costs of disasters in Australia is $38 billion per year on average.[78] That's equivalent to around $3,800 for every household in Australia.[79] Aside from rare earthquakes, all other disasters, including bushfires, floods, heatwaves, storms and drought are made more frequent and intense by climate change. As a result, Deloitte estimates that disasters will cost Australia $73 billion per annum by 2060, under a low emissions scenario, and $94 billion under high emission scenarios.[80] Other estimates for the annual cost of extreme weather events, driven by climate change, sit around $1,532 per household, rising to $2,509 by 2050 if no structural changes are made.[81]

The Insurance Council of Australia has shown that the costs of extreme weather on the Australian economy has more than tripled over the last three decades. Insured losses from climate disasters have grown from 0.2 percent of GDP between 1995 to 2000, to 0.7 percent of GDP for the last five years (about $4.5 billion).[82]

In Australia frontline communities are not getting the help they need when they face climate disasters. Already the Federal Government spends an average of $1.6 billion each year on disaster recovery in addition to state, territory and local governments[83] and that includes $200 million per year via the Disaster Ready Fund.[84]

However, it's insufficient to meet growing community needs. Australian households know that climate impacts are increasing their cost of living through higher insurance and food costs, lost work time and productivity, and increased council rates.

By way of example, the floods that swept through NSW and south-east Queensland in 2022 cost the economy an estimated $5 billion from lost economic activity, and forced the Australian and state governments to share recovery costs of $7.5 billion.[85] As a result of the 2022 floods, in the town of Lismore alone the costs included over $400 million of lost production, which was $9,300 per resident on top of asset replacement and repair costs. The floods also had direct impacts on 3,170 firms and 18,000 workers.[86] The costs of this climate event were felt by all Australian households as agriculture losses resulted in fruit and vegetable prices increasing by 5.8 percent due to the floods.[87] Many people are still homeless or living in temporary accommodation as a result of these floods.[88]

As another example, the Black Summer bushfires of 2019-20 killed 34 people directly alongside another 445 from smoke inhalation[89], damaged or destroyed approximately 3,500 homes, and caused untold personal loss and trauma.

The fires cost farmers up to $5 billion, or 8 percent of agricultural GDP through damage to farm buildings and equipment, a reduction in farmland values, loss of crops and livestock and health impacts from smoke inhalation by farm workers.[90] The Black Summer bushfires also cost the tourism industry $2.8 billion and almost 7,300 jobs disappeared nationwide.[91] Smoke-related health costs were estimated at almost $2 billion.[92] Overall, the economic impact was over $100 billion.[93]

A recent analysis found that extreme fire years like this are 88-152 percent more likely due to climate change.[94]

The rising cost of insurance

As a result of the increasing severity of climate disasters insurance affordability is an increasing problem. Home insurance costs increased by 14 percent between 2022 and 2023.[95]

Data from the Melbourne Institute's HILDA survey shows that more than 340,000 Australian households have no home insurance and 530,000 are underinsured, which means the insurance they have wouldn't fully cover them if disaster struck.[96] For those who are uninsured the Australia Institute estimates that they would lose three

quarters of their wealth if their home were destroyed.[97] In 2024 the Australian Institute of Actuaries reported that 15 percent of Australian households were defined as experiencing home insurance affordability stress, up from 12 percent the previous year, where affordability stress is defined as paying more than four weeks of household gross income towards home insurance premiums.[98]

In its 2024 submission to the Senate Select Committee on the Impact of Climate Risk on Insurance Premiums and Availability, Bushfire Survivors for Climate Action reported that many of its members have experienced substantial increases in premiums, often accompanied by higher excesses and stricter conditions placing undue financial strain on those already struggling to recover from bushfire losses.[99] Although the reason for these premium hikes is elevated risk of bushfires and other disasters due to climate change, the current approach disproportionately burdens policyholders without adequately accounting for broader societal impacts and the systemic nature of climate risks.[100]

In November 2024, the Senate Select Committee on the Impact of Climate Risk on Insurance Premiums and Availability[101] released their report finding that many submitters had experienced doubled or even tripled insurance costs for their homes and businesses resulting in some people either not taking out insurance at all, underinsuring or taking out insurance and foregoing other necessities including healthcare. The Committee's recommendations include,

> *"The committee recommends that Treasury develop options for a levy on coal and gas extraction companies, based on the annual energy content they have extracted, from which the funds raised would be invested in disaster mitigation and resilience measures, and the cost of rising insurance."*
>
> Select Committee on the Impact of Climate Risk on Insurance Premiums and Availability

A 2025 analysis by the Climate Council found that over two million Australian homes are already at moderate to high risk from extreme weather events that have become more severe more frequently due to climate change.[102] The number of homes in the high risk category has increased by 80,000 since 1990 primarily due to climate change, and this number is projected to increase by another nearly 750,000 by 2050. This number appears even more stark in the context of a well-defined housing crisis.[103] If we focus on just one kind of climate disaster, riverine flooding, over 3 million properties are projected to be exposed to some level of flooding in the next 5 years, with 589,000 of these at high risk of becoming uninsurable.[104] Even if no actual disaster strikes, uninsurability or very costly insurance devalues many peoples' largest financial asset, undermining the property market and harming the overall economy.

The unmet costs of adaptation

In 2022 the CSIRO[105] stated in response to the Intergovernmental Panel on Climate Change 6th Assessment Report on Impacts, Vulnerability and Adaptation[106] that climate change is increasing the pressure on our natural environment, settlements, infrastructure and economic sectors including agriculture, finance and tourism; bringing unwelcome stresses and disruptions to food production systems, increasing deaths and illness from heatwaves, and increasing risks of cascading impacts. Moreover the CSIRO found that work to enable adaptation to climate impacts was progressing, but was "distinctly uneven" due to multiple factors including up-front costs and lack of engagement, trust and resources.[107]

More recently in 2025, the Climate Change Authority found that while "[c]ommunities, governments and businesses have made some progress in adapting to climate impacts", adaptation

actions are uncoordinated, "fragmented", in need of strategic direction, and are currently not receiving the scale of funding needed to meet the challenge.[108]

It is clear that funding needs are already not being met for adaptation work due to the degree of climate change occurring now, let alone the loss and damage already being suffered. As climate change worsens in the coming years, the need for adaptation work and funds to support it will only increase. If funding is not recovered without delay from the corporations that are making enormous profits while generating the bulk of pollutants causing this crisis, the budgetary pressure on governments to cover these shortfalls will only grow. Further, funding adaptation, aside from protecting lives and strengthening the capacity of communities to respond to climate impacts, also saves money in the long run. The CSIRO has found that every dollar invested in adaptation saves up to $11 in recovery costs in the future.[109]

Aboriginal and Torres Strait Islander (Zenadth Kes) Communities

Aboriginal and Torres Strait Islander (Zenadth Kes) communities are on the front lines of climate impacts despite contributing little to global emissions. The compounding harms resulting from rising sea levels has grave consequences for community wellbeing, cultural continuity and threatens the ability of Zenadth Kes peoples to remain on their island homes.[110] Similarly, for mainland Aboriginal communities bushfires, droughts, and flooding intensified by climate change damages Country resulting in disruptions to cultural obligations including the management of heritage sites,[111] and access to natural resources.[112] Habitat degradation adversely impacts on the customary practices of Aboriginal and Zenadth Kes peoples such as hunting and gathering, which then worsens existing health inequities, with rising rates of heat-related illness, respiratory conditions, and food insecurity.[113]

Aboriginal and Zenadth Kes communities, whether they be remote, rural or urban, already deal with poor standards of infrastructure - especially with respect to housing and transport.[114] As a result these communities are less resilient to extreme heat and weather events and disasters, increasing displacement risks.[115]

Climate change threatens the water and food security of vulnerable communities. Across many of the islands of Zenadth Kes sea inundation has polluted sources of fresh water and the salination of soils has prevented the planting of traditional food crops.[116] In remote central Australian Aboriginal communities rising temperatures have resulted in 55 days above 40 degrees in recent years, with temperatures predicted to increase, heat exposure is a significant health concern.[117] Fresh water sources are drying up and the water quality is decreasing to unpotable levels with high level of mineralisation and risk of waterborne diseases.[118]

It is critical that the Federal Government recognise - as it is recognised under international law - that Aboriginal and Zenadth Kes peoples are not simply stakeholders but rights-holders. This can be achieved by taking action and enacting legislation that give meaningful effect to the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).[119]

Among other things, the Federal parliament must pass laws that enable Aboriginal and Zenadth Kes peoples to maintain and strengthen their spiritual and cultural relationships with their lands, territories, waters, and resources. In addition, Aboriginal and Zenadth Kes peoples must be afforded the right to fully participate in decisions affecting their lives and environments through the well-established framework of giving their free, prior and informed consent (FPIC) for projects impacting their Country.[120]

The continuation of fossil fuel projects deepens the carbon debt and exacerbates the threats to Country, community and culture. While the proliferation of renewable energy projects helps to combat many of these threats, the increasing demand for critical minerals, that is driving increased mining on Aboriginal lands, requires the free, prior and informed consent (FPIC) of the Traditional Owners, fair benefit sharing, resources to support negotiations, transparency and capacity to reject mining.[121]

The impacts of all extractive projects on the fundamental and distinct rights of Aboriginal and Zenadth Kes peoples must be afforded greater consideration in environmental impact and approval processes. Aboriginal and Zenadth Kes peoples must also be afforded the right to give or withhold their free, prior and informed consent within these processes.

Costs to young people

Young people are already and will be profoundly impacted by climate change over their lifetime. In a 2023 national survey 13 percent of young people indicated that they had already been directly impacted by extreme weather events over the past year.[122] Impacts include disrupted housing, education, wellbeing, and access to essential services. Vulnerable groups such as those in lower socioeconomic areas, Indigenous young people, young people with disabilities, and gender-diverse individuals were more likely to be confronted with these impacts.[123] As the impacts of climate change grow, these impacts will persist and worsen throughout the lives of younger people.

A major concern is the impact of extreme weather events on the mental health of young people. That includes the impact on those directly impacted by events in the present, but also concern for a climate impacted future. Research has found that ongoing exposures to increasingly severe climate events are likely to increase the psychological burden for individuals and communities, and for young people particularly, to shape a negative view and diminished outlook for the future.[124] This psychological burden on young people can result in long-term impacts on academic performance and socio-economic outcomes. UNICEF found that young Australians who experience disaster are 4.2% less likely to finish year 12 and are more likely to experience homelessness.[125] Knock-on effects from disasters last long throughout the life course, leading to future losses in lifetime earnings for young people of $2.9 billion or $100,000 per young person.[126]

Impact on women and LGBTQIA+ people

Women and gender diverse people face disproportionate climate and environmental impacts due to structural inequalities rooted in patriarchy, colonialism, racism, and capitalism, heightened by intersectional factors such as cultural and linguistic diversity, socio-economic status, and health and disability.[127] The gendered nature of climate change can be seen on the one hand in its impacts; 80% of those displaced by extreme weather are women, women were 14 times more likely to perish in a disaster, and in one meta-analysis, 68% of studies found that women were more impacted by climate-linked health issues than men.[128] It can also be seen in current public discourse and policy discussions around the transition to clean energy which are skewed towards male-dominated industries like the fossil fuel and renewable energy sectors, with much less attention paid to some of the care-based and feminised sectors hardest hit by climate change.[129]

Currently there is limited recognition of the intersection between climate change and gender equality in Australia's domestic climate policy, meaning it is overlooked in climate policies and responses. Support for gender transformative approaches is critical in ensuring climate adaptation, mitigation and disaster response responds to the needs of diverse women and LGBTQIA+ people.

Upholding justice: The case for Australia to support Pacific nations and people

As coal, oil and gas corporations continue to expand their operations, with the Australian government approving 27 coal and gas projects since taking office,[130] the impact of burning fossil fuels drives intensifying climate impacts in the Pacific.

Despite being responsible for only 0.03 percent of global greenhouse gas emissions, Pacific Island nations are highly vulnerable to climate impacts and have been among the

Muki Community, East Are'are, Malaita Province, Solomon Islands: Martin Hau'ato collecting rocks and building his community's sea wall that stretches across the shorelines, helping to protect homes from sea water inundation during king tides and storm surges. Credit: Ivan Utahenua, Oxfam International.

first in the world to experience a changing climate, bearing the brunt of sea level rise, floods, heatwaves, decreasing fish stocks, increasingly destructive cyclones and food and water scarcity.[131]

High-level estimates find that in a region numbering 14 million, the number of people in the Pacific impacted by climate disasters has increased 700 percent in the last decade, with total costs from climate disasters increasing eight-fold.[132] Pacific Island nations face average annual costs of $1.3 billion reaching a high in 2022-2023 of $7.3 billion.[133] The average GDP losses of Pacific countries are also increasing from decade to decade, with average yearly loss from climate disasters increasing four-fold, from 3.2 percent of GDP between 2004 to 2013, to 14.3 percent of GDP in the last decade.[134] In 2023 Vanuatu faced Category 4 Cyclone Judy and Category 5 Kevin back-to-back, and was then hit by twin earthquakes shortly after, resulting in total recovery costs representing 69 percent of annual GDP.[135] Later that year, Vanuatu, went on to be hit by Cyclone Lola, the most powerful off-season cyclone recorded in the Southern hemisphere.[136]

Globally, developing countries are experiencing intensifying climate impacts and do not have the capacity to respond. Total adaptation needs for developing countries are estimated to reach USD $3.8 trillion,[137] while loss and damage is projected to reach between USD $290 billion to $1 trillion by the end of the decade.[138]

Conservative estimates of total annual finance needs in the Pacific to cover climate mitigation, adaptation and loss and damage costs could sit at around $2.2 billion.[139]

Meanwhile, Australia's foreign aid budget and its international climate finance to lower income countries to support climate action, resilience and disaster recovery continues to lag far behind need. Australia is one of the least generous nations in the OECD in terms of Official Development Assistance (ODA), giving a paltry 19 cents in foreign aid for every $100 in gross national income (GNI) in 2024.[140] Australia's climate finance, all of which is drawn from our international aid budget, is $3 billion over 2020 to 2025 (about $600 million on average per annum).[141] Based on our historic climate pollution and capacity to pay, our obligation to meet global climate finance targets sits at about 4.8 percent of the total, yet our current contributions amount to less than 1 percent.[142] We must step up to provide our fair share to global efforts.

Australia is the largest donor to the Pacific, though the amount it gives is nowhere near current needs in the region nor does it reflect Australia's responsibility for climate change as a wealthy, high-polluting nation and one of the world's largest fossil fuel exporters (See Table 1). In 2022-2023, when total disasters in the Pacific conservatively cost $7.3 billion, Australia committed a total of $265.9 million in climate finance to the Pacific.[143]

Table 1:
Australia's climate finance versus Pacific needs and domestic subsidies[238]

Metric	Value (AUD $)	Timeframe
Assessed annual Pacific climate finance need	$2.2 billion	Annual[239]
Actual annual climate finance flow to the Pacific	$310 million to $930 million	Annual[240]
Australia's Pacific climate finance commitment	$1.3 billion, averaging $260 million per year	2020-25[241]
Australia's pledge to the Fund for Responding to Loss and Damage	$50 million	One-off pledge[242]
Estimated Australian fossil fuel subsidies	$67 billion, averaging $16.8 per year	Over four years. Note: subsidy estimates depend widely on methodology.[243]

*Note: Some values have been converted between USD $ and AUD $ and may vary with exchange rates. The subsidy figure is indicative of scale based on one report.

Earlier this year, the Trump Administration abruptly cancelled 83 percent of USAID programs around the world, withdrawing USD $114 billion from the international development and humanitarian system,[144] and preventing an estimated USD $113 million from reaching Pacific programs focused on supporting children, addressing climate change and providing humanitarian support.[145] In an environment of escalating conflict, inequality and climate catastrophe, alongside the withdrawal of the US from multilateralism, wide-ranging cuts and governments shifting aid budgets to increase military spending,[146] it's vital that Australia strengthens and expands its international development and climate finance portfolio. Furthermore, Pacific Island Forum leaders - which includes Australia and Pacific Island nations - declared climate change the number one threat to security of the region in the 2018 Boe Declaration, emphasising the urgent need for resourcing to be directed towards addressing this issue.[147]

With the New Collective Quantified Goal on Climate Finance for developing countries being agreed at the UNFCCC COP29 in 2024, Australia's climate finance obligations have only increased. Australia and other countries will be expected to make new climate finance pledges this year and a Climate Pollution Levy is a key means to raise the funds needed to meet this growing cost.

Budget sustainability, productivity, economic resilience and the net zero transformation

Australia will likely face a greater hit to our economy from climate change than most other similar countries. Australian GDP could reduce by 5 to 14 percent, dependent upon levels of fossil fuel use into the future and the severity and intensity of climate change as a result.[148] Under current policies, a per annum reduction to GDP of $147 billion by 2030 is expected.[149] By 2040, the reduction to GDP will more than double to $350 billion

before continuing to grow to $656 billion by 2050.[150] Reductions to GDP will be felt by individuals, as living standards will fall; per capita annual incomes are predicted to fall by approximately $5,000 by 2030 then $7,300 by 2050.[151]

The Productivity Commission has made the Net Zero Transformation one of its five priority areas for reform.[152] This is no surprise as climate change negatively impacts productivity, including the productivity of agriculture, damaging lives and infrastructure, and posing increasing costs to people and to the economy over the long term, impacting budget sustainability and economic resilience.[153] According to the Australian Treasury, (un)natural disasters contribute to fiscal pressures across all levels of government, particularly through disaster relief.[154] The Federal Budget is already in structural deficit[155] and increased spending on climate resilience and recovery from climate disasters will exacerbate this. As one example, the most recent NSW Budget states, "expenditure on natural disasters has increased more than 1,000 percent in the six years since the 2019-20 bushfires compared to the six years prior".[156]

The 2023 Intergenerational Report speaks of the profound impacts of climate change on the economy and as a driving force shaping the economy for decades to come. It states that sustained action across adaptation and emissions reduction will be required to maintain productivity and budget sustainability as well as achieve better social and environmental outcomes. Effective investments in resilience will also reduce costs to the economy in the long run,[157] although as warming increases resilience and adaptation will become more costly and less effective.

The externalisation of the true costs of fossil fuels - the cost of climate impacts - gives a false impression of benefit to the economy from the fossil fuel industry, whereas on balance the true cost is negative and investments would best be made elsewhere. It's imperative to address the economic externalisation of costs and our structural challenges by ensuring that our tax and transfer system works to disincentivise the causes of the climate crisis, support the community solutions to mitigate negative impacts and harness the opportunities. The government should tax activities that are ecologically unsustainable, such as fossil fuels, and invest in renewable energy, regenerative agriculture, the circular economy and other measures that help secure long-term sustainability. It must also invest in increasing the resilience of communities through effective adaptation measures and strong support for recovery when disasters hit.

In particular, the first issue that needs to be addressed in relation to the distortion of economic drivers is the direct government subsidies which encourage fossil fuel use. The direct and indirect subsidisation of fossil fuels means that decisions are not aligned with the true economic costs of fossil fuels, which are falsely perceived as a benefit to the economy, as their real cost is not fully factored into economic decision making. Subsidies to fossil fuel producers and major users from Federal and state governments totalled $14.9 billion in 2024–25,[158] and over the longer term these fossil fuel subsidies are 14 times the balance of Australia's Disaster Ready Fund.[159] Fossil fuel subsidies redirected to the Disaster Ready Fund would provide a net benefit and a productivity boost for Australia.

The next issue that needs to be addressed is that the fossil fuel industry makes significant profits by externalising the true cost of its product - the impacts of climate change - onto the rest of society. This should be addressed by quantifying the cost of carbon, which is becoming more feasible to calculate with increasing accuracy as attribution science is maturing (as discussed above), and applying that to the fossil fuel industry via a Climate Pollution Levy. This would address the direct and indirect subsidies to the fossil fuel industry, enable decisions that reflect an accurate value to society, and provide funds to recover from extreme climate events and implement the transition to zero emissions.

Thirdly, the Centre for Policy Development and the Productivity Commission argue that the costs of natural disasters can and should be included in budgets,[160] not only to improve accuracy and transparency for better decision-making, but to also provide greater

incentives to invest in emissions mitigation and disaster resilience when the relative costs are better understood.

Quantifying the cost of carbon and applying that to the fossil fuel industry would support a more resilient economy, by securing a new funding source to help communities cope with the economic shocks of a changing climate and increasing extreme weather events, as well as provide support to communities and workers in the transition to a zero emission economy.

Public Support for a Climate Pollution Levy

It's deeply unfair and economically unsustainable that communities and taxpayers are bearing the price of pollution, while corporations that produce the polluting products are making huge profits and not contributing to the costs. This is recognised by the Australian public, and reflected in polling. Past polling shows Australians are supportive of this idea already. The Australia Institute's Climate of the Nation Report has consistently found that a majority of Australians support some kind of mechanism that makes big polluters pay; the 2024 edition found that 70 percent of Australians support a polluter-pays mechanism.[161] In global polling recently conducted by Oxfam and Greenpeace, 8 out of 10 people support taxing oil and gas corporations to pay for climate damages.[162] In new polling, conducted with Essential Media, we find Australians are very much onboard with a Climate Pollution Levy, feeling first-hand the impacts of climate change in their own lives and angry with the fundamental unfairness of coal, oil and gas companies causing climate damage and not paying the costs.

Australians understand climate change is increasing their cost of living

Everyday Australians understand that climate change is getting worse, and that it is directly affecting their standard of living. Polling conducted by Essential Media in June 2025 found that 70 percent of Australians acknowledge that the increasing frequency of extreme weather events such as floods, droughts and bushfires are caused by climate change. The polling found 75 percent of Australians recognise that climate change is increasing the cost of living, with 83 percent believing it is increasing the cost of insurance premiums and food prices. Beyond the scientific research, and national and international civil society reports pointing out the scale of impacts, Australians can see and feel in real-time over and over again that climate change is hitting their hip pockets and worsening their quality of life, and that something needs to be done.

Australians support making coal, oil and gas corporations pay for the damages from their climate pollution through a Climate Compensation Fund

Australians also recognise the coal, oil and gas companies are primarily responsible for climate pollution and are onboard with some kind of mechanism that makes them pay their fair share of the costs, rather than offloading them on to hard-working households and families who have done little to cause the problem.

Essential Media polling conducted in June 2025 found that 77 percent of Australian accepted that big polluters are contributing to climate change, 82% believe that fossil fuel companies are exporting most of the coal, oil and gas they produce overseas, meanwhile the cost of energy domestically is very high.

75%
of Australians
recognise that climate change is increasing the cost of living

83%
of Australians
believe climate change is increasing the cost of insurance premiums and food prices

77%
of Australians
believe big polluters are contributing to climate change

62%
of Australians
believe coal, oil and gas corporations should pay for their climate damage

62 percent of Australians support the idea that coal, oil and gas corporations should pay for the damage caused by their climate pollution, and 66 percent support the idea that companies pay for climate damages through a levy into a Climate Compensation Fund for communities. Further, 70 percent of Australians support increased government action to get coal, oil and gas companies to take more responsibility when it comes to climate pollution.

Australians are attuned to the realities of the day; coal, oil and gas companies are getting away scott-free, polluting, minimising their tax burden and receiving billions of government-funded handouts, while everyday households are left footing the bill. They want and support increased government action and a Climate Pollution Levy and a fund to support those most affected.

How to design a Climate Pollution Levy

The parameters for the design of a Climate Pollution Levy, or indeed any policy that aims to address the current unfair system where the cost of climate damage is paid by ordinary people, rather than the fossil fuel industry responsible for the majority of climate pollution, should meet these standards:

- Ensure coal, gas and oil corporations are fairly paying for their significant role in contributing to climate change;
- Raise new and additional revenue to address the harms caused by climate change and support communities;
- Ensure the costs of the Levy fall on the polluting coal, gas and oil corporations and costs for average Australians are avoided, including through energy price controls, energy bill rebates and other measures as required;
- Make polluting forms of energy more expensive than renewable energy, reflecting their true cost including the social cost of their pollution;
- Increase the rate of the Levy over time to keep income consistent as fossil fuels are phased out, and the legacy costs of climate change caused by fossil fuel pollution continue and grow;
- Income should be directed to a Climate Compensation Fund (see next section) in its entirety to ensure funds raised are used to address the costs of responding to and the impacts of climate change in a fair, equitable, long-term and transparent way;
- Be implemented in this term of government - the cost of climate change is already hitting communities, they need support now;
- The introduction of a levy is not a license to continue pollution, and revenue raising from the fossil fuel industry should be implemented along with regulations to ensure the managed phase out of fossil fuels.

The needs of communities and governments to deal with the costs of climate change are already substantial. We must raise sufficient funds to not only meet the $38 billion per year disasters are costing, but also we must invest in adaption and in supporting households with the energy transition and energy costs. We therefore propose that the Climate Pollution Levy should be set at a level to generate sufficient funds to meet these current and growing costs.

There are a range of design solutions. The Superpower Institute has calculated that a levy on fossil fuel extraction for domestic use and export would raise approximately $46 billion in 2030.[163] This is likely based on a carbon price of approximately $45 per tonne of CO2e,[164] significantly below the EU carbon price of $107 (USD $70).[165] This approach offers a starting point for consideration.

Importantly, the Levy should increase each year by a pre-determined minimum, to ensure that income from the Climate Pollution Levy remains consistent whilst fossil fuels are phased out. This meets two needs: firstly to meet the growing costs from climate change and secondly to provide a financial incentive to phase out fossil fuels and to phase in renewable energy.

How to ensure the coal, oil and gas corporations pay, not ordinary people

The objective of the Climate Pollution Levy is to ensure that the coal, gas and oil corporations pay the true cost of their product and reverse the current situation where climate impacts are paid for by the community. Hence it is important to design the Levy to ensure the burden falls on the industry and any pass-through to households via increased prices is minimised and compensated for, especially to lower-income households. The extent of cost pass-through to higher prices is unclear and is influenced by multiple factors, including the effects of the levy on fossil fuel supply in the short-term and market responses, the availability of non-fossil alternatives, and the scale of government support provided to households.[166] To better understand the impact on households the Commonwealth should undertake rigorous modelling of the likely impacts, and develop a household assistance package focused on low and middle income households. Importantly, the potential for pass-through should not deter implementation; such risks are common in corporate taxation reforms and can be addressed through strong policy design.[167]

Regulation to stop pass through

Governments have the power to intervene when price increases are excessive, either through direct regulation or by influencing the prices companies can charge consumers.[168] Governments can implement price controls that modify the marginal price of energy to shield households and businesses from price rises and by extension, limit the ability of companies to pass on taxes to consumers. A recent example of this was in the European Union, where a number of countries implemented price controls - setting a maximum price energy could be charged at - alongside windfall profits taxes in response to surging energy prices partly as a result of Russia's invasion of Ukraine in 2022.[169] The windfall profits taxes raised an estimated €28.66 billion ($51 billion) in revenue directed primarily to financial support measures for energy consumers and vulnerable households.[170] The countries that implemented energy price controls, including Spain, France and Portugal, had the lowest energy price inflation, contributing to lower inflation overall.[171]

Consideration should be given to introducing price controls and other measures to respond to increases in electricity prices, and can be a part of a suite of measures alongside the proposed levy to address tax pass through. Just recently, Climate Change Minister Chris Bowen announced a review of the default market offer (DMO)[172] in response to soaring energy prices and reports of price-gouging by energy retailers.[173] The DMO, set by the Australian Energy Regulator (AER) in NSW, South Australia and Queensland and the Victorian Default Offer (VDO), set by the Essential Services Commission in Victoria, sets a default offer retailers can charge residential and small business customers.[174] The Australian Energy Market Commission also sets a National Electricity Market (NEM) market price cap each year to prevent unfair price setting in Australia's energy market.[175] Consideration should be given to reducing the market price cap as part of NEM reforms.

Alongside price controls, governments are also able to prohibit and apply sanctions to companies that pass on the cost of the levy onto consumers, as was done by Italy

in implementing its windfall profits tax on banks in 2023 (although political pressure and lobbying from banks resulted in amendments that effectively enabled banks to bypass the tax in the end).[176] A smaller, more local example is Victoria's windfall gain tax on the value of gains made by landowners as a result of certain rezoning decisions. This tax prohibits vendors from passing on their windfall tax liability to purchasers under a contract of sale of land or option agreement.[177]

Mobilising the ACCC to monitor and restrict inappropriate pass-through

To help minimise cost pass through to consumers, the Commonwealth should task the Australian Competition and Consumer Commission (ACCC) with monitoring cost pass-through and restricting any inappropriate pass through. The ACCC should have all appropriate sanctions at its disposal to promote compliance and penalise companies that inflate pass-through costs.

Building support for low income households into the measure

Beyond regulation to stop or limit pass-through, the Levy design should build in direct support to lower-income households for cost of living increases driven by climate change, and to support their transition to renewable energy and energy efficiency options, resulting in net savings. In the first instance, the scheme will direct revenues towards targeted measures to shield households from any potential rise in costs that may result from implementing the Levy in the short term (although, as per the preceding section, we call on governments to put in place price controls to ensure the Levy is not passed through).

The Commonwealth should develop a household assistance package to offset, and over-compensate households for any increase in prices. The package should be developed by modelling the likely price impacts on electricity, gas and other household commodities and assessing the impact on household budgets. Assistance should be provided through increases in the rate of pensions and other social security payments and through energy bill relief. These direct payments should be complemented by payments to support households transition to all electric, energy efficient homes.

Over the medium to long term, the significant revenues raised from the Levy should be ear-marked to a Compensation Fund which, as per the following section, should fund a just transition, support households to implement energy efficiency and consumer energy resource upgrades and move towards low emissions technology and transport options. To give two examples, Levy funds could be directed towards the Government's $2.3 billion plan to subsidise the installation of small batteries for households, small businesses and community facilities.[178] Funds could also be used to support electrification and energy efficiency upgrades in public and community housing through the Social Housing Energy Performance Initiative (SHEPI).[179] Such measures incentivise and accelerate the changes required to meaningfully decarbonise our economies, transitioning households away from fossil fuel reliance and by extension, reduce the exposure households have to price increases in fossil fuels and corporate moves to try and shift their tax burden onto everyday consumers.

With the right combination of complementary policies, the government can address any potential distributional impacts of the Levy, improve and reverse the existing inequality, and ensure everyone can participate and benefit from the transition towards a renewable economy.

Ear-marking the revenue from the Climate Pollution Levy

We recommend that the income from the Climate Pollution Levy be paid in its entirety into the Climate Compensation Fund. This will provide legitimacy for the Levy - as a way to ensure the industry most responsible for climate pollution makes a fair contribution to the costs of climate damage. It will also provide much needed funds for communities on the front line of climate impacts, and ordinary Australians dealing with the higher food and insurance costs driven by climate change. Additionally, it will provide a source of revenue for local, state and federal governments to increase resilience and have resources to react

appropriately at times of climate disasters such as extreme storms, floods and drought.

Ear-marking, also called hypothecation or ring-fencing, of taxation is familiar to Australians via the Medicare Levy. Australia is one of 80 countries that ring-fence tax income for health spending.[180] Similarly many OECD countries finance social spending, environmental protection and other programs from ear-marked revenues.[181]

International progress towards new sources of climate finance and a fairer tax system

Currently 40 national and 25 sub-national jurisdictions put a price on climate pollution, representing 15 percent of global GHG emissions.[182] Over 100 countries are considering carbon pricing as part of their NDCs. The (now threatened) Inflation Reduction Act in the US incorporates a price on methane of USD $36 per ton of CO2e.[183] Another important example is the EU's Carbon Border Adjustment Mechanism, which will have a direct impact on Australia's exports, forcing high emission sectors to pay $115 per tonne of emissions tariff (if a similar tax or levy is not already applied domestically) on high emission goods imported into the EU. The EU has also initiated calls for the fossil fuel industry to contribute to climate finance.[184]

Moves to make the international tax system fairer, including those to generate funds to pay for damage from climate change, have been gaining momentum, with a number of processes around the world moving towards taxation of the ultra rich and the biggest polluters. This includes the negotiation of a UN tax convention,[185] G20 leaders and Finance Ministers agreeing to cooperate to ensure that "ultra-high-net-worth individuals are effectively taxed",[186] the governments of Spain, Brazil, and South Africa establishing a joint initiative to promote higher tax contributions from the super-rich at the recent UN Financing for Development Conference in Seville,[187] and the establishment of international shipping levies through the UN International Maritime Organisation (IMO).[188]

Of most relevance to a Climate Pollution Levy, there is global momentum around ensuring the industries and individuals who are responsible for the most climate pollution also contribute to climate and development finance. It received a boost at COP28 when France, Kenya and Barbados launched the Global Solidarity Levies Taskforce (GSLTF)[189] to develop recommendations for new sources of taxation, including taxes or levies on fossil fuels.[190] Later joined by Antigua and Barbuda, Colombia, Denmark, Djibouti, Fiji, Marshall Islands, Senegal, Sierra Leone, Somalia, Spain, and Zambia, the taskforce is due to report at COP30. In an early positive sign towards international action, eight GSLTF member countries launched a coalition at the Fourth International Conference on Financing for Development (FFD4) focused on developing levies on the aviation sector, with a special focus on premium and luxury flyers, "in view of investing all or parts of the proceeds into resilient investments and fair transitions."[191] As the Taskforce findings come out and global momentum around taxing wealth and pollution grows, Australia risks being left out if it doesn't progress these matters.

Although US federal action in this arena has been generally regressive since early 2025 there has nonetheless been progressive work to make polluters pay led by US states and cities. After devastating floods that caused over USD $ 1 billion in damage in 2023, the state of Vermont passed a bill in May 2024, the Climate Superfund Act, to make big oil pay for climate damage, with both Democrat and Republican support.[192] Modeled after the US Federal EPA's Superfund program which requires corporations to pay for cleanup of toxic waste, the Climate Superfund Act gives the Vermont Government until 2026 to determine how much damage climate change has cost the state including the impacts on economic development, biodiversity and public health, and how much big oil companies are liable to pay based on their pollution over the last three decades.[193]

Later in 2024, New York State followed with a Climate Change Superfund Act[194] that, starting in 2028, will require big fossil fuel polluters to contribute to the cost of the damage caused by extreme weather fuelled by climate change. State Senator Liz Krueger, the lead sponsor of the legislation stated, "[r]epairing from and preparing for extreme weather caused by climate change will cost more than half a trillion dollars statewide by 2050…That's over $65,000 per household, and that's on top of the disruption, injury and death that the climate crisis is causing in every corner of our state."[195]

Other states moving similar bills include Maine, Massachusetts, Rhode Island, Connecticut, New Jersey, Maryland, Virginia, Tennessee, Oregon, California, and Hawaii. Lawmakers in these jurisdictions consistently point to the growing costs of climate change to their state governments and people, while fossil fuel companies continue to make record profits despite having been aware of climate change as a consequence of their industry for decades. These legislators see the mounting funding gap and are seeking to finance the necessary adaptation and recovery work through fees on those corporations. Maryland State Delegate David Fraser-Hidalgo said, "It's a complicated bill with a simple premise: if you make a mess, you clean it up."[196]

These states' bills broadly mirror Vermont and New York's Climate Superfund models, including funding for adaptation projects, many include environmental justice funding requirements such as ear-marking a proportion of funds toward underserved communities, and some include funding for mitigation work (such as renewable energy development). While some states' bills allow insurance companies to recover losses from fossil fuel corporations, some are also pursuing additional legislation creating a right of private citizens' ability to sue fossil fuel corporations for climate-related damages.

Pacific perspective

The Pacific have continually called for new and innovative sources of climate finance to meet the immense shortfall being experienced across the region. They have also been leading the charge for global solutions that hold polluters accountable and uphold climate justice. Specifically, there is existing support in the Pacific for a tax or levy on fossil fuels, including within the Port Vila Call which supports the development of "innovative means of mobilizing finance" including "carbon pricing mechanisms such as carbon taxes,…taxes on fossil fuel industry profits and carbon levies including a universal agreement on taxing extractive industries' profits".[197]

The Vanuatu Government submission to the UNFCCC in April 2023 says:

> *"The polluter pays principle is clear under international law: those responsible for the damage must address it. The Climate Damages Tax (CDT)[198] proposed by Vanuatu would place a tax on the fossil fuel industry for each tonne of coal, oil or gas they extract. Starting at a low rate and increasing every year, the CDT would raise billions per year as a source for the Loss and Damage Fund."*[199]

Vanuatu Climate Minister Ralph Regenvanu made statements at COP27 in 2022[200] aligning Vanuatu with a Climate Damages Tax and in an op-ed with Avinash Persaud (Special Advisor on Climate Change to the President of the Inter-American Development Bank, then Special Climate Envoy to the Prime Minister of Barbados) 2018 said:

> *"The idea of taxing the fossil fuel industry is an economically sensible approach, and a moral approach. This industry has spent decades fueling climate denial while making profits. In 2017 alone the top six oil companies made $134 billion in profit. A climate damages tax should be established forthwith. We will only stop climate change by making those who contribute to it pay for it."*[201]

In bodies such as the International Maritime Organisation, Pacific leaders, including the Marshall Islands and Tuvalu, have been key champions of levies on maritime fuel that would fund climate action.[202]

In the leadup to a likely co-hosted COP31, the Australian Government has an opportunity and responsibility to ensure key Pacific demands are reflected in the global climate agenda. For COP31 to be

a true partnership with support from Pacific nations, Australia must act on what they know are key priorities of the region: curbing the proliferation of fossil fuels, and ensuring access to climate finance. These key demands were articulated repeatedly in the Inquiry into Australia's response to the priorities of Pacific Island countries and the Pacific region, for example in responses from Solomon Islands High Commissioner Mr Robert Sisolo, the Pacific Elder's Voice, Pacific Islands Climate Action Network, Greenpeace Australia Pacific and 350.org Pacific. COP31 gives the Australian Government a unique opportunity to implement some of the key recommendations from this inquiry, including Recommendation 5 on climate finance:[203]

> *"The Committee recommends that where Pacific Island countries and Pacific civil society organisations seek to access climate finance, the Australian Government, having made a contribution to the Loss & Damage Fund for Developing Countries:*
>
> - *takes steps to improve and streamline the process*
> - *advocates globally for the creation of more equitable climate finance arrangements, in consultation with affected communities, with a view to facilitating access by the most vulnerable communities across the Pacific and elsewhere*
> - *consider support for the establishment of, funding for, and advocating for other institutional donors to support locally-managed climate finance and climate adaptation funds to support quick and targeted dispersal, including the Pacific Resilience Fund*
> - *explores other measures to improve access to climate finance for the most vulnerable and most affected by climate change in the Pacific."*

The Australian Government positions itself as a member of the 'Pacific family'. For this to be considered genuine, it must take on board Pacific Government perspectives, stop enabling harm to the region by expanding fossil fuels and compensate for the damage already done.

How to design the Climate Compensation Fund

Revenue from the Climate Pollution Levy should be ear-marked to fill the Climate Compensation Fund. This is a fair way to address the needs of communities and governments facing the costs of climate change, placing the burden on the coal, gas and oil corporations who are disproportionately responsible for causing climate change.

The Climate Compensation Fund must be developed in consultation with impacted communities, including those identified below. The communities facing climate impacts must decide how to make the solution work for them - they deserve it and this is the best way to ensure the funding and the programmes are most effective.

We recommend incorporating the following principles into the design of the Compensation Fund in order to ensure it works for the communities dealing with climate impacts:

- Funds should be used towards: enabling a fast and just transition to renewable energy, adaptation to climate change, loss and damage compensation, and disaster preparation and recovery;
- Funds are disbursed based on principles of justice and equity, prioritising the communities most impacted and vulnerable to climate change;
- Funds are shared between domestic and international needs;
- Funds are disbursed in a way that is predictable and consistent so that communities can do long term planning;
- Transfer of money uses simplified modalities that ensure communities can easily access funds and don't have to grapple with red tape;
- Funds for communities should be given in the form of direct assistance and grants, not through loans;

- Funds should be set up in a way to provide fast disbursal, where that is important.

To meet these principles and to ensure that funds are distributed across communities in need in a transparent way we suggest that the Climate Compensation Fund should have the following funding distribution streams:

- Aboriginal and Zenadth Kes Climate Self Determination Fund, a fund owned and controlled by Aboriginal and Zenadth Kes people;
- Support for climate disaster vulnerable and impacted communities
- Support for households, communities and local governments to build resilience and to undertake the renewable energy transition;
- Support for the just transition for workers and their families;
- Increased international climate finance for developing countries to fund resilience in the region, including in the Pacific, for funds identified by Pacific peoples;
- A Safe Climate Future Fund, for addressing intergenerational impacts of climate change.

Across each of the funding distribution streams we recommend targeted funding and programmes should address people and communities that shoulder the greater burden. In particular we note Aboriginal and Zenadth Kes people, women and LGBTQIA+ people, people from culturally and linguistically diverse backgrounds, people living with a disability and young people. These groups are disproportionately impacted by climate change in Australia due to direct structural discrimination and unjust power relations. Each funding stream should have responsibility to consider these and other highly impacted communities and report against their funding to each.

Aboriginal and Zenadth Kes Climate Self Determination Fund

While the rapid phase-out of fossil fuel mining is a critical objective for many Aboriginal and Zenadth Kes peoples and communities, the reality is that this is highly unlikely to happen in the immediate future. It is therefore critical that the big polluters are held accountable for the damage that their projects cause. A Climate Self-Determination Fund, financed directly through a Climate Pollution Levy would assist Aboriginal and Zenadth Kes peoples to lead climate solutions, on their own terms. Funds raised by the Levy must be in addition to existing and future benefit-sharing agreements that have been negotiated with Traditional Owners, including with coal, oil and gas companies.

Among other things, a Climate Pollution Levy imposed on fossil fuel corporations could be designed to:

- encourage reduced emissions and minimise the destruction of Country;
- support communities impacted by climate change with meeting their obligations to effectively manage their Country and transmit their knowledge to future generations
- support communities to counter the impact of climate change
- operate as a domestic loss and damage fund; and
- provide a benefit-sharing arrangement that redirects the costs of the impacts of climate change Aboriginal and Zenadth Kes to those who most benefit from carbon intensive industries.

Such a fund would establish an equitable way to overcome underinvestment in climate adaptation and community-led development. And play a role in assisting with reversing the cumulative injustices of colonialisation and the historical dispossession of Country.[204] Aboriginal and Zenadth Kes peoples are unique rights holders, not stakeholders, as a result of their ancestral connection to country, as recognised in international law through UNDRIP.[205] The first priority

of Indigenous Peoples' Organisation-Australia's "Heal Country, Heal Climate" report calls for Aboriginal and Zenadth Kes decision making, self-determination and free, prior and informed consent rights through a justice-based approach in all levels of climate mitigation, adaptation and environmental management policy development and programs.[206] Article 18 of UNDRIP stipulates that Indigenous peoples have the right to participate in decision-making in matters which would affect their rights.[207] Article 26.1 confirms Indigenous peoples have the right to the lands, territories and resources which they have traditionally owned, occupied or otherwise used or acquired.[208] While article 29.1 confers Indigenous peoples the right to the conservation and protection of the environment and the productive capacity of their lands or territories and resources.[209]

The fund should also prioritise Aboriginal and Zenadth Kes women who bear the brunt of the ongoing impacts of colonialisation and structural racism, as well as the devastating impacts of climate change on their ancestral lands and waters and their continuation of traditional practices. The Wiyi Yani U Thangani Report documents the sadness and frustration felt by Aboriginal and Zenadth Kes women at the limited political and economic power they have to address the impacts of climate change on their traditional lands and recommends that Australian governments recognise and respect the role of Aboriginal and Zenadth Kes' people in caring for Country and developing climate change policies.[210]

A core feature of such a fund must include community controlled and governance arrangements and decision-making capacity that is aligned with Aboriginal and Zenadth Kes peoples rights to self-determination and free, prior and informed consent. Critically, it must also have the capability of devolving decision-making to those local cultural authorities who are best placed to make decisions for their Country and their people.

The fund could be used to support community-owned and led adaptation and resilience projects that deliver improved housing, water and transport infrastructure, as well as local food security. It could also be applied to the construction of community-owned renewable energy infrastructure such as microgrids resulting in jobs creation and skills development, as well as access to more reliable energy at a reduced cost.[211]

The benefits of Aboriginal and Zenadth Kes ranger programs have been well demonstrated and recognised for well over a decade.[212] A climate self-determination fund can add much needed resources to these vital services.

Not only would this provide a net benefit to the environment for all Australians, it also helps to alleviate the ongoing economic disadvantage that is the lived experience of Aboriginal and Zenadth Kes peoples. The fact is that economic power is political power and Aboriginal and Zenadth Kes peoples have been perennially locked in a David and Goliath battle with big polluting companies. It is time for the pendulum of fairness to shift from Aboriginal and Zenadth Kes peoples having only moral authority, to actually having the capability to compete fairly with powerful and well-resourced corporations. Making big polluters pay is a justice-based imperative. It must include mechanisms to give Aboriginal and Zenadth Kes peoples greater authority over the decisions about projects that take place on, or affects Country. A dedicated Climate Self-Determination Fund is both a climate solution and a reparative measure, allowing Aboriginal and Zenadth Kes peoples to protect Country and lead climate adaptation consistent with their rights and responsibilities.

Support for climate disaster vulnerable and impacted communities

The Climate Compensation Fund should have a strong focus on both supporting communities vulnerable to the impacts of climate change in Australia, and addressing the impacts from climate disasters. As previously stated, the costs of climate disasters are estimated to be up to $38 billion per annum,[213] depending on the factors considered in the costing. Thus the Federal Government's current allocation to the Disaster Ready Fund of $1 billion over 5 years ($200 million per year)

is obviously deeply insufficient.[214] The need is clear for new funds to support impacted and vulnerable communities, and for Emergency Services, raised by a Climate Pollution Levy and distributed from a Climate Compensation Fund. Funds from the Climate Compensation Fund could be directed at groups particularly vulnerable to the impacts of climate change, including farmers, those living in regional communities, and Aboriginal and Zenadth Kes communities (See "Aboriginal and Torres Strait Islander (Zenadth Kes) Climate Self Determination Fund"). They could also be used to provide support to communities impacted by climate disasters, in the immediate aftermath of a disaster through lump sum payments and grants to impacted households and small business, health care provision and providing temporary housing to displaced communities, as well as for longer-term rebuilding and recovery, which may include road and network infrastructure, and providing counselling services. Funds could be used to address gaps in home insurance coverage, including where insurance is out of reach in climate-vulnerable areas. Proceeds could be used to pay for the implementation of a locally focused National Adaptation Plan, for example as stipulated in Zali Steggall's proposal for $10 billion Climate Resilience Fund.[215]

Support for households, communities and local governments to build resilience and undertake the renewable energy transition

Low income household support

A portion of the revenue raised from the Climate Pollution Levy should be used to shield low-income households against the rising costs of climate change such as increasing insurance premiums, increasing food costs, increasing housing and health costs as well as any immediate price rises that result from coal, oil and gas companies attempting to pass on costs of the Levy to their consumers.

As discussed above, a portion of the levy should be allocated to provide subsidies, increase the rate of pensions and other benefits, or through direct cash transfers to low-income households in the immediate term, in the early stages of the levy's implementation. Funds should also be used to support lower income households to transition towards low emission and energy efficient options, reducing dependence on fossil fuels, reducing their exposure to price rises and delivering major energy bill savings over the long term. One estimate from ACOSS and Deloitte Access Economics has found that to retrofit the lowest 20 percent of households in Australia (earning less than $800 a week) with energy efficiency upgrades would cost $16.5 billion.[216] These ear-marked funds for low income-households result in a double benefit, addressing poverty and inequality through cash transfers and energy bill relief, while also contributing to emissions reduction and fossil fuel phase out by supporting these households to move towards renewable energy.

Support for Local Governments

As the level of government closest to the community, councils are already grappling with climate change and its costs. As climate impacts – including coastal erosion, flooding, bushfire risks, and extreme storms – continue to accelerate, the risk to council infrastructure and services increases, as do community needs.[217]

Along with Emergency Services and first responders, Council staff are often directly impacted by disasters as well as being required to respond. During Black Summer, one fifth of Towong Shire Council staff were personally affected as the workforce took on extra duties and council resources were effectively exhausted within 72 hours.[218]

Local Governments are leaders on climate adaptation: planting trees for shade, opening public spaces such as libraries and swimming pools to help communities stay cool during heatwaves, and upgrading stormwater systems to manage heavy rains. As well as replacing infrastructure such as roads and bridges damaged during storms. These increased costs are falling on local governments often without increased funding and with limited ability to increase rates, meaning the burden for the increased services and infrastructure needed to adapt falls to local communities or goes unfunded.[219]

The Australian Local Government Association (ALGA) is calling for a new $400 million per year climate adaptation fund, to be distributed across all councils to provide local, place-based solutions to Australia's changing climate.[220] Additionally ALGA is also asking the Federal Government to fund emissions reductions plan with local governments in order to facilitate a place-based approach to zero emissions.[221]

Supporting the renewable energy transition for communities

To ensure a fast and fair transition to renewable energy, some revenue from the Climate Pollution Levy should be invested in supporting community energy and infrastructure projects. This might include the installation of community batteries and community energy projects, especially in remote communities; ensuring the equitable phase out of gas networks with targeted support to households; supporting public schools, aged care facilities and hospitals with energy efficiency improvements and shifting to renewable energy; amongst other measures.

Just transition for workers and their families

The implementation of the levy, aside from addressing matters of fairness when it comes to fossil fuel companies offloading the costs of their pollution onto communities, is also highly aligned with an accelerated phase-out of coal, oil and gas. As such, revenues from the Levy should also be allocated for just transition, supporting communities to move towards renewable energy in a fast, fair and inclusive manner. Putting a number figure on just transition is difficult but existing research can give us a sense of some of the costs Levy revenues could contribute to.

Whilst industry will face substantial costs for the transition to a decarbonised economy[222] it is also important that workers in industries, including those living and working in legacy coal, oil and gas regions, are supported to transition to new employment and ideally to roles in a high-demand renewable energy sector. This is a legitimate distribution stream of the fund, as these workers were recruited into the fossil fuel industry at a time when the companies were already aware of climate change, but denying it, while average citizens (these workers) were not. Again, wholesale figures for the costs of transitioning all fossil fuel workers are difficult to find, though past examples of coal plant closures are instructive. For example, based on the closure of Hazelwood Power Station in Victoria 2017, and the rehiring support and incentive programs for new employers that were implemented by the Victorian government in the process, researchers have estimated that supporting workers in the fossil fuel sector transition to new employment could cost upwards of $69,000 per employee.[223] With an estimated 49,000 workers currently in coal mining and 18,000 in oil and gas extraction, supporting these workers will be a substantial line item in the transition that must be addressed.[224]

It is equally important to recognise the costs for women and families affected by the transition. This includes responsibilities carried by women to take on paid roles where male partners may be re-skilling and finding other employment or increases in family violence and poor physical and mental health outcomes. As such, funding from the Levy could be used to benefit families, funding strong social supports such as accessible and inclusive child-care, health services and family violence services in impacted communities.

These are large, whole-of-economy estimations and it would not be expected that revenues from the Climate Pollution Levy would entirely 'fill the gap'. However, the Levy could directly support worker transition. The Government has already started work in the area of a just transition with the establishment of the Net Zero Economy Authority.[225] The Authority has a budget of $77.4 million for the 2025-2026 financial year.[226] Funding from the Levy could be used to greatly expand the resources and work of the Authority.

Funding resilience in our region, including the Pacific

It's critically important Australia contributes its fair share to global efforts to act on climate change. Without all wealthy developed countries contributing, lower

income countries will not have the finances to transition fast enough to renewable energy to limit warming to safer levels, nor will they have funds to adapt to the changing climate or recover from climate disasters, nor compensate for losses and damages. The Independent High-Level Expert Group (IHLEG) on Climate Finance estimates that USD $1 trillion per year by 2030 and USD $1.3 trillion per year by 2035 is required to meet international climate finance needs for developing countries.[227]

As stated previously, taking into consideration Australia's historical emissions and capacity to pay, our fair share contribution to international climate finance for developing countries should be 4.8 percent of the global total. So far it has fallen well short of this, even with modest global climate finance goals. Further, the vast majority of Australia's current climate finance comes from within our historically low aid budget, often by rebadging existing aid projects as climate finance projects. This means that currently Australia is providing minimal new funding to support our region to rise to the new challenge of climate change, despite global agreements.

At COP29 in 2024, governments agreed to triple the previous global climate finance commitment from USD $100 billion to USD $300 billion annually by 2035. They also agreed to a Baku to Belém Roadmap to mobilise $1.3 trillion in climate finance to developing countries by 2035. Australia's fair share of the USD $300 billion global goal is $14 billion per year by 2035,[228] and should be delivered as new and additional public grant-based finance, separate from existing aid obligations. To meet this commitment, Australia must establish a new climate finance goal for 2025–2030, replacing its current target and aligning with a strategic pathway to reach its 2035 fair share. Given the escalating impacts and costs of climate change being experienced in the Pacific, a substantial part of Australia's new climate finance commitment must be directed to Pacific countries, communities and Pacific-owned and led initiatives such as the Pacific Resilience Facility (PRF).[229] The PRF, established by the Pacific Islands Forum, is focused on delivering grants to fund adaptation, disaster preparedness and responses to loss and damage in the region and is USD $350 million away from its capitalisation goal of USD $500 million.[230] Another fund worthy of support is the Kato Community Climate Fund, developed in the Pacific by communities and designed to be accessible to frontline communities.[231] Civil society highlighted the need to uphold the original intent of the PRF—to support locally led resilience—as the Facility enters its next phase, which spurred the development of the Kato Fund and the Faculty Aiding Locally Led Engagement (FALE).[232] Australia, with funds raised from a Climate Pollution Levy, should complete the capitalisation of these funds and ensure their sustainability now and into the future.

The obligation for Australia to increase climate finance and funding for loss and damage to the region is made clear in the recent ICJ ruling on the obligations of states in respect of climate change. In the language of the the judgement, climate finance from countries like Australia must not be seen as "voluntary commitments" but as legal obligations that should meet needs and "repair harm" already caused.[233]

We recognise that increasing climate finance from a few hundred million to many billions per annum is a new strain on the Federal Budget. That's why it's imperative the highly profitable fossil fuel industry is held to account to pay its fair share for responding to climate change.

Importantly, given Australia exports 80 percent of its emissions,[234] applying a Climate Pollution Levy to our exports of coal, oil and gas products could also have a significant impact on tipping the scales towards renewable energy investment in our region.

Safe Climate Future Fund: addressing intergenerational impacts

Treasury projections, as outlined in the Intergenerational Report, forecast that the increased frequency and severity of natural disasters could result in a 3- to 3.6-fold increase in the Government's Disaster Recovery Funding Arrangements expenditure over the next 40 years, amounting to a cumulative cost of $130

billion to the Federal Budget (in 2023 dollar terms).[235] The Treasury estimates the impacts of reduced economic output of $7 billion per annum till 2063 from the effects of higher temperatures on labour productivity alone.[236]

In addition to the fiscal impacts, there will be the economic and social costs borne by young and future Australians. Even under a low-emissions scenario, natural disaster costs are forecast by Deloitte to double from approximately 2 percent of Australia's GDP in 2020 to 4 percent in 2060.[237] This equates to a cumulative cost of natural disasters of $1.2 trillion to 2060 (in 2020 dollar terms).

Currently, these future costs are unfunded and irresponsibly being left to younger and future generations. A dedicated Climate Future Fund, funded by today's climate polluters who have created the crisis, would help ensure that resources are set aside and available to future generations to recover from the climate disasters they had no hand in causing. This is particularly important in light of the need to phase out fossil fuels, yet in the knowledge that impacts from climate change will continue to increase for some time.

Conclusion and next steps

Currently our economy is structured in a deeply unfair way. The rules of the tax system benefit the big coal, gas and oil corporations, who are responsible for the majority of climate pollution. It gives them unfair tax breaks and subsidies, and fails to include the costs of pollution in production. As such, this system makes continuing to extract fossil fuels more profitable, fails to raise meaningful revenue for Australians from our natural resources, and puts the costs of pollution and climate change onto the community. Essential to ensuring our future, our well being, our budget sustainability and our economic resilience is to rethink and redesign our economy to work for people and community, not the other way round. A crucial step is to ensure the industry most responsible for the majority of climate pollution pays for the damage it causes. Key elements for the Albanese Government to enact in this term of parliament are:

Philippines: Jocelyn Plaquia is a member of a women's self-help group that, with support Oxfam partner SIKAT, is restoring a mangrove forest to help reduce disaster impacts. Photo: Elizabeth Stevens, Oxfam.

- Put in place a Climate Pollution Levy on the coal, gas and oil corporations to raise approximately $46 billion a year toward the climate damage these corporations are causing;
- Establish a Climate Compensation Fund to meet the needs of communities on the frontline of climate impacts and everyday households facing rising costs from climate change now and in the future.

A first step should be the removal of subsidies to coal, gas and oil corporations. Then the introduction of a Climate Pollution Levy could also be accompanied by other reforms to the taxation of the fossil fuel industry, which could include reform of the PRRT, corporate taxation and royalty systems. However, these reforms whilst vital, won't address the climate impacts that the big coal and gas corporations have outsourced onto communities. A Climate Pollution Levy funding a Climate Compensation Fund is essential to achieve this.

The Make Big Polluters Pay alliance stands ready to advocate for these changes and work with the government to put in place a system that fairly supports the community in the face of climate change impacts and ensures the cost of climate change falls on those most responsible for climate pollution and with the greatest capacity to pay - the coal, gas and oil corporations.

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Make Big Polluters Pay Alliance

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Making Coal, Oil and Gas Corporations in Australia Pay Their Fair Share For The Costs of Climate Change