

RAPID ANALYSIS: FEDERAL BUDGET 2026-27



While the Albanese Government prepared this budget, the latest fuel crisis hit Australians hard. This is not new: the government's first budget was handed down in the midst of energy chaos, brought on by Russia's invasion of Ukraine. The lessons from both crises are clear: relying on fossil fuels leaves us exposed to shortages and price hikes, while clean energy puts us back in control.

Australians know this. Recent national polling shows that [Australians wanted this budget to](#) help them shift to efficient electric homes and vehicles, powered by renewables and batteries. Amongst broad calls for gas export tax reform, it is clear that Australians want the Albanese Government to stand up to fossil fuel corporations to take back control of our energy and resources.

The 2026-27 budget was an opportunity to accelerate that transition. We assessed it against [four immediate opportunities](#) to take back control of our energy security, and the critical need to protect Australians from climate harm.

For Climate Council's budget night media statement, [see here](#).

A budget to shield Australians from global fossil fuel shocks and climate harm

What's needed	Budget momentum
Reduce fuel dependence with electric vehicles, shared and active transport.	Some new commitments, but falls well short of the moment.
Cut household bills with electrified homes, solar and batteries.	Limited commitments to deliver existing reforms only.
Power heavy industry with Australian renewables, not imported diesel.	No meaningful new commitments, significant missed opportunities.
Make gas corporations pay their fair share, while phasing out gas.	Step in the wrong direction, with increased support for polluting and expensive gas.
Build more renewable power and grow clean industries	Limited new commitments.
Help Australians adapt to the impacts of climate change.	Funding remains grossly insufficient.

Shielding Australians from global fossil fuel chaos

In the face of a global energy crisis, the Australian Government has introduced short-term measures to manage fuel supplies and price spikes, including releasing emergency stockpiles, a \$2.9 billion package to halve the fuel excise and cut charges for heavy vehicles, and a \$10.7 billion package to increase fuel storage and secure more fuel. While immediate relief for the current crisis is needed, it doesn't fix the core problem: as long as Australia relies on fossil fuels, households will stay exposed to supply shortages and soaring prices.

The switch to renewable power is our best chance to ensure energy security, to shelter households and businesses from volatile global fossil fuel markets, and cut climate pollution permanently. Fossil fuels leave our energy security at risk, while renewables protect us.

This is not the first time global events have driven up energy costs, and it won't be the last. So has the Albanese Government delivered lasting protection, or will Australians remain exposed to energy chaos?

Reduce fuel dependence with electric vehicles, shared and active transport.

Electrifying transport is the most direct path to lower fuel dependence. Electric Vehicles (EVs) are already saving Australians approximately 15 million litres of fuel a week. Every additional EV means permanently lower oil demand – while shifting trips from cars to shared and active transport is faster and cheaper still.

In this budget, the Climate Council called for the EV tax discount to be maintained; further funding and regulatory changes to enable the rollout of electric vehicle charging and the uptake of electric trucks; and a reboot of the hugely-popular National Active Transport Fund to help more Australians walk or cycle.

The verdict:

Initiative	Funded amount <i>(over 4 years unless otherwise noted)</i>	What it does	Our assessment
Reforms to Electric Vehicle (EV) fringe benefits tax (FBT) exemption reform	\$1.7 billion <u>reduction</u> in funding	<p>The exemption from FBT for electric vehicles will be maintained for cars up to \$75k until April 2029, after which it will become a 25% reduction in FBT.</p> <p>Electric cars above \$75,000 will move to a 25% reduction from April 2027</p>	<p>While the full exemption's continuation until March 2029 is welcome, it is noted that these reforms leave both a gap in support for electric vehicles, and \$1.7 billion in funding that should be reallocated to clean transport.</p> <p>This budget misses opportunities to redirect this funding to other critically needed measures— such as expanding EV charging networks or accelerating electric heavy vehicle uptake.</p>
Investment in passenger and freight rail – but cuts have been made.	<p>\$3.8 billion over four years from 2026–27 in additional funding for Suburban Rail Loop East in Victoria</p> <p>\$50.0 million for the Sydney to Canberra Rail Corridor Upgrade</p> <p>\$76.4 million for the Melton Line Electrification</p> <p>\$1.8 billion over six years from 2026–27 <u>in equity</u> for the Australian Rail Track Corporation to invest in its interstate rail network (over 6 years)</p> <p>\$659.6 million over three years for Newcastle to Sydney high speed rail development works.</p> <p>The remainder of Inland Rail, from Parkes to Brisbane, has been cancelled.</p>		<p>Strong investment in shared transport is key to cutting climate pollution, and these initiatives are welcome. Improving shared transport options for Australians can cut travel costs, congestion, and reliance on imported fuel.</p> <p>At the same time, the Inland Rail project has been cut back, and will now run from Melbourne to Parkes instead of Brisbane. This project could have shifted significant freight from more polluting road vehicles, and its cancellation leaves an open question for how Australia will meaningfully reduce its reliance on more-polluting road freight.</p> <p>In addition to large capital projects, there are significant lower cost 'quick-win' options to roll out shared transport rapidly and to more Australians. This includes expanding and improving bus networks, or increasing frequency for existing but under-serviced buses and trains. Measures like these could further cut climate pollution at low cost.</p>
Supporting more efficient freight	\$55 million	The Transport Resilience and Capacity Kickstart pilot program will incentivise greater volumes of ship and rail freight.	This is a welcome investment to support the shift of freight from trucks to trains and ships – options that lower climate pollution, costs and congestion. Details of how the incentive will function are yet to emerge.

Electrify Australia Post's delivery fleet	\$40.5 million	–	Electrifying transport cuts climate pollution, costs and congestion. This is a common-sense investment to future-proof Australia Post with cheaper and cleaner transport.
Ongoing funding for Active Transport	\$200 million <i>(\$50 million per year ongoing)</i>	The hugely popular one-off Active Transport Fund, initially established with \$100 million, will now receive \$50 million every year.	<p>The Climate Council strongly supports this initiative. Rebooting the National Active Transport was one of the Climate Council's key budget asks, and</p> <p>The fund supports the construction and upgrade of bicycle and walking paths across Australia – which can help more Australians walk or cycle to get around. Expanding active transport is one of the best ways to cut climate pollution and fuel bills, plus has significant health benefits.</p>
Better measuring air and climate pollution from cars	\$3.6 million	Continue the Real-World Testing program to conduct on-road emissions and fuel consumption testing of light vehicles sold in Australia.	<p>The Climate Council supports ongoing investment in this program.</p> <p>Because fuel efficiency is currently tested in lab conditions, fuel-use and emissions estimates are often inaccurate, making it harder for Australians to know what they're buying.</p> <p>This program seeks to solve that with real world tests on Australian roads, with the goal of improving estimation methods.</p>
Expand the 'DRIVEN' program to install EV chargers	\$15.4 million	Expand the scope of the 'Dealership and Repairer Initiative for Vehicle Electrification Nationally' (DRIVEN) program and extend the program by an additional year to better meet industry needs.	The Climate Council supports this initiative, which supports the installation of EV chargers at dealerships and EV repairers.

Cut household bills: electrification, solar and batteries

Powering homes and businesses with clean, affordable electricity is a win for energy security, household budgets, and the climate. When homes are powered with renewable electricity instead of gas, they are more affordable and healthier to live. Australia already leads the world in rooftop solar. Now, home batteries are booming, supported by the Australian Government’s Cheaper Home Batteries Program.

In this budget, the Climate Council called for continued support of the Cheaper Home Batteries Program, and for an overhaul of the Household Energy Upgrades Fund to offer zero-interest loans, rather than the marginally discounted interest rates currently available.

The verdict:

Initiative	Funded amount <i>(over 4 years unless otherwise noted)</i>	What it does	Our assessment
Maintaining the Cheaper Home Batteries Program	–	Despite speculation, the Cheaper Home Batteries Program will continue as originally planned.	The Climate Council has called for the highly-successful program to continue, and welcome its unchanged funding, providing billions to help Australians take back control of their energy needs.
Helping Australians take control of their energy needs.	\$127.7 million over five years	<p>Implements the National Consumer Energy Resources Roadmap, including establishing a National Technical Regulator.</p> <p>Funds the Australian Energy Regulator to deliver a number of energy reforms, including improving the Energy Made Easy website and implementing the Nelson review of the NEM.</p> <p>Funds battery system inspections to maintain the integrity of the Cheaper Home Batteries program. The program has supported 390,000 households and delivered 10 gigawatt hours of storage</p>	<p>The Climate Council supports this initiative to progress key reforms in the electricity sector, including in the wholesale market, in homes, and for retailers.</p> <p>Implementing these reforms as a priority can cut costs for households, and cut climate pollution from electricity.</p> <p><i>Note: these investments are met from savings identified elsewhere in the climate change and environment portfolio, so do not represent an overall increase in funding.</i></p>

Power heavy industry with Australian renewables, not imported diesel.

Heavy machinery, particularly in mining, is a major user of diesel. And while fuel prices are through the roof for families, big mining corporations get a multi-billion dollar fuel tax break from the Australian Government. In a fossil fuel crisis, we shouldn't encourage big miners to use diesel; it's unfair and it needs to change.

In this budget, the Climate Council called for a \$50 million cap to the diesel fuel tax credit to encourage the mining industry to cut its diesel use. This would free up about \$2.5 billion per year to be redirected towards clean energy and cost of living measures, but only affect 18 large mining-related diesel users – not farmers, truckies or tradies.

The verdict: This budget failed to reform the Fuel Tax Credit, and made no meaningful investments to cut diesel use in heavy industry – a significant missed opportunity.

The Fuel Tax Credit will be maintained as is, costing almost \$50 billion over 4 years and continuing to subsidise diesel use. As this subsidy continues to grow, its cost and impact on climate pollution and energy security is becoming increasingly untenable.

The small investments made in this budget include:

- \$4.0 million over three years from 2026–27 to develop a green fuel bunkering strategy
- \$50 million in 2029-30 to support the Boyne Aluminium smelter (a total of \$1 billion over 10 years, [previously announced](#) in March 2026)

Make gas corporations pay their fair share, while phasing out gas

Australia keeps less than 30% of what fossil fuel corporations earn by selling Australian resources. Most countries keep 75% or more — including Qatar, the world's biggest LNG exporter. Despite gas exporters making huge and growing revenues, the tax from gas exports [has been flat](#). Gas corporations are taking our resources, polluting our climate, and pocketing the returns.

In this budget, the Climate Council called for a gas exports tax – a fair and practical reform that ensures Australian resources deliver for Australians. The revenue should go directly to cost-of-living relief and clean energy investment, reducing risk, cutting pollution, and putting Australia back in control of its energy future.

Climate Council has also long called for a credible gas strategy, that ends new projects, helps Australians get off polluting and expensive wherever possible, and then implements a strong reservation policy to meet dwindling gas needs. The Australian Government committed to a gas reservation policy in 2025, with [further details announced on May 7, 2026](#).

The verdict: The budget failed to reform gas export taxes, leaving up to \$17 billion per year in foregone revenue on the table – funds which could have funded meaningful energy security, and lasting cuts to climate pollution. The current tax on offshore gas projects, the PRRT, is expected to raise only \$1.40 billion this year – and decline to \$1.25 billion by 2029-2030.

Initiative	Funded amount <i>(over 4 years unless otherwise noted)</i>	What it does	Our assessment
Domestic gas reservation	\$30.6 million	Develop and implement the Domestic Gas Reservation Mechanism, and undertake gas market analysis and policy development to support market reliability and energy security.	<p>While Climate Council supports an effective domestic gas reservation policy, it must be an exit ramp for expensive and polluting gas.</p> <p>Detailed policy design should reflect the small and declining role of gas, and the scientific imperative to end new gas projects that are escalating climate harm.</p>
Modernise offshore resources regulation	\$4.9 million	Modernise offshore resources regulation to support gas investment and help mitigate supply shortfalls, including providing more clarity on consultation requirements for offshore resources approvals.	<p>This investment is highly questionable and unnecessary.</p> <p>New funding to “support gas investment” is alarming and directly at odds with Australia’s legislated climate commitments. It is clear that new gas projects would increase climate pollution, putting more Australians at risk of climate harm.</p> <p>The stated intention to “mitigate supply shortfalls” appears to pre-suppose the failure of the new reservation policy.</p>

Build more renewable power and grow clean industries.

During their previous budgets, the Albanese Government has made significant investments in building more renewable power and growing clean industries, through commitments including the Capacity Investment Scheme, the \$20 billion Rewiring the Nation fund, and the \$22 billion Future Made in Australia plan. On top of these investments, the Albanese Government have also delivered policy reforms, including passing the Climate Change Act, introducing a New Vehicle Efficiency Standard and reforming the Safeguard Mechanism.

While Australia has made significant progress, it's essential to seize this momentum to cut climate pollution further and faster this decade.

The verdict:

This budget concerningly saw more than \$1.5 billion in support for green industries redirected (hydrogen production, and battery and solar panel manufacturing). With no material new policies to clean-up industry, it appears that support for clean energy has gone backwards.

Initiative	Funded amount <i>(over 4 years unless otherwise noted)</i>	What it does	Our assessment
Solar recycling pilot	\$24.7 million	The National Solar Panel Recycling Pilot will collect and recycle 100,000 solar panels.	Climate Council supports this investment. As early solar installations begin to be replaced, proper disposal and recovery of their highly-valuable components can create jobs, and further increase the sustainability of renewables.
Boosting Productivity – Accelerating Approvals	\$163.8 million	Funding will be provided to accelerate approvals under the reformed EPBC Act.	<p>The Climate Council welcomes funding to speed-up environmentally responsible approvals under the EPBC Act, including regional-level assessments which may be particularly relevant for renewable energy zones.</p> <p>It is noted that this investment is broad in scope, and could equally accelerate investment in fossil fuels. The Government must safeguard against any such acceleration, and investments should be prioritised to speeding up approvals with the broadest benefits to Australians – including cutting climate pollution.</p>

Protecting Australians from climate harm

Help Australians adapt to the impacts of climate change.

Climate pollution from coal, oil, and gas is supercharging unnatural disasters. Australians are already paying the price. As in last year’s budget, pressures on the Australian budget paints a clear picture of increasing climate impacts, hurting Australian families and businesses. Damages from major cyclones (Koji and Alfred) and floods have contributed to a significant \$2.5 billion increase in disaster recovery costs. Over two million households and businesses across the nation are already experiencing high or unaffordable insurance due to their exposure to climate risks. The Australian Government’s own national risk assessment released last year [outlines the compounding climate risks](#) that Australia faces, from extreme heat, to flooding and drought, into the future. The only solution is to rapidly slash climate pollution from coal, oil and gas, and replace energy sources with clean alternatives.

Climate Council has called for a properly costed and adequately resourced National Adaptation Plan and more funding to help Australians prepare for and build their resilience to climate-fuelled disasters.

The verdict:

Initiative	Funded amount <i>(over 4 years unless otherwise noted)</i>	What it does	Our assessment
Adapting to unnatural disasters	Unpublished ¹	<p>\$6.0m to NEMA to continue engagement with states and territories on a national high-speed and high-capacity mobile broadband emergency response capability</p> <p>Funding to implement the new national cell broadcast messaging system to improve emergency warning communications (climate disaster resilience)</p> <p>Funding to bolster the national aerial firefighting fleet and increase national surge</p>	<p>While these investments are welcome, much more is needed to prepare and better protect Australians from the escalating impacts of climate change.</p> <p>The National Adaptation Plan, released less than 12 months ago, has not received any direct funding.</p> <p>The budget papers also reveal that \$2.9 billion has already been spent on disaster recovery this financial year, and this will only grow as climate impacts become increasingly frequent and severe.</p>

¹ The budget papers note that ‘The financial implications for some elements of this measure are not for publication (nfp) because they would impair the Commonwealth’s position in negotiating contracts for these services.’

Initiative	Funded amount <i>(over 4 years unless otherwise noted)</i>	What it does	Our assessment
		capability during the higher-risk weather season	To respond to this growing threat, Australia needs a comprehensive, funded adaptation plan.
Protecting and Restoring the Great Barrier Reef – continuing funding	\$91.8m	Continue reef protection activities, reef restoration projects and support implementation of the Reef 2050 Long-term Sustainability Plan, and continue reef monitoring, protection, and stewardship activities through the Tourism Reef Protection Initiative	The levels of warming already caused by climate change represent an existential threat to the Great Barrier Reef. While these investments are welcome, any stewardship initiatives are likely in vain without deep and rapid cuts to climate pollution.

Note: The Disaster Ready Fund payments are expected to continue at \$200 million per year. However, its future distributions are discretionary and reported prospectively, so therefore not included in forward estimates. Budget Paper 1 reports that the Fund’s corpus is expected to grow over time.

Other measures to cut climate pollution

Initiative	Funded amount <i>(over 4 years unless otherwise noted)</i>	What it does	Our assessment
Standing with our partners in the Pacific	\$147.8 million	Delivers on Australia’s role in the 31st Conference of the Parties (COP31), and delivery of Pre-COP and a Leaders’ Event in the Pacific.	Climate Council supports Australia’s role in COP31 and associated forums in the Pacific, which provide an invaluable opportunity to drive meaningful global cuts to climate pollution – and build markets for Australian green businesses.
Maintain and strengthen the capability of Australia’s National Greenhouse Accounts	\$13.3 million	–	Climate Council supports ongoing investment to strengthen emissions measurement, forecasting, and reporting.
Boost method development and strengthen integrity under the Australian Carbon Credit Unit (ACCU) scheme	\$8.9 million	–	<p>The science is unequivocal: our future depends on achieving steep and genuine emissions reductions this decade. Australia is increasingly overreliant on offsets to cut climate pollution, rather than genuinely cutting climate pollution.</p> <p>Further ACCU methods should be developed, while many current ACCU methods face long-standing integrity issues.</p> <p>Investments in improving integrity may be sensible, but more details are needed.</p>

The Bottom Line

This Federal Budget was an opportunity for Australia to take control of our energy future, but instead, it maintained a fossil fuel free ride. Big corporations got a free kick – whether in diesel tax-breaks, weak gas export taxes, or support for gas investment. Meanwhile, Australians are left exposed to global energy price spikes and climate harm.

To meet the scale of the energy and climate crisis we face, **this budget should have:**

1) Matched housing tax reforms with fairer diesel and gas taxes

This budget saw big reforms in other areas – but no changes to some of our most unfair taxes. Diesel tax-breaks will be maintained, growing to a cost of almost \$13 billion per year (\$47 billion over the forwards). Likewise, gas export taxes were untouched, despite [analysis indicating](#) an improved gas export levy could generate \$17 billion annually – representing upwards of \$50 billion in foregone revenue over the forward estimates. Reforming these taxes could have supported cost-of-living relief, energy security or better prepare Australians for the escalating impacts of climate change.

It's clear that Australians want real reforms that stand up to corporations, and give people control of their own energy future – but this budget fell short. These reforms can only be ignored for so long.

2) Ramped up investment in lasting energy security, through electrification and renewables.

The switch to renewable power is our best chance to ensure energy security, to shelter households and businesses from volatile global fossil fuel markets, and cut climate pollution permanently. But this budget failed to make any material new investments in electrification – despite significant opportunities. For example, a [\\$3 billion investment over 5 years](#) could have deployed 30-50,000 new electric trucks and displaced up to 1 billion litres of diesel annually.

3) Funded adaptation and resilience measures that match the scale of the climate crisis

Climate change is already a dominant influence on our weather systems. Emergency services are stretched by back-to-back disasters. Farmers face mounting losses from both fire and flood. Councils struggle to repair roads and community assets before the next disaster hits. Animals and plants are being pushed to the brink of survival. Insurance bills are rising across the country.

While we cut climate pollution, we must help communities across the nation - particularly those hardest hit by climate change - to adapt to and prepare for future climate fuelled disasters. The Australian Government must act on the National Adaptation Plan, and deliver meaningful step-change in funding to protect people and communities, and grow disaster resilience – particularly to multiple disaster impacts.