Australian Government
Productivity Commission

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Pillar 1

Creating a more dynamic and resilient economy

Consultation questions | May 2025

Contents

Creating a more dynamic and resilient economy

We are examining policy options that will incentivise investment, make the business environment more productive and foster entrepreneurship and innovation.

We are asking you for feedback on our approach so far to **Pillar 1: Creating a more dynamic and resilient economy**.

After reviewing the ideas submitted through Australia's Productivity Pitch and undertaking our own research and stakeholder consultation, we have identified two policy reform areas in this pillar to explore further.

For each reform area, we will:

- recommend specific reforms
- seek to quantify their benefits (where possible) and
- suggest how the reforms can be implemented.

Support business investment through corporate tax reform	**Reduce the impact of regulation on business dynamism**
A more effective corporate tax regime can help Australia attract foreign capital, and spur businesses to invest, innovate and improve labour productivity.	Reducing excessive or inappropriate regulation can unshackle business and enhance business dynamism and productivity.

Why is a dynamic and resilient economy important?

We care about dynamism and resilience because they improve our quality of life. Policy settings that foster a dynamic and resilient economy:

- drive competition, reduce prices and improve product quality
- support innovation and investment
- enable businesses and workers to readily respond to changing economic conditions.

Key concepts

A **dynamic economy** is an economy that is competitive, innovative and adapts to change. It is an economy where firms and individuals invest, learn, innovate and thrive. It enables new firms to enter markets and challenge incumbents and facilitates people moving to better jobs.

A **resilient economy** is an economy that withstands or recovers from economic shocks quickly and without long-term negative impacts.

We know that reforms across all 5 pillars will, in some sense, work towards creating a dynamic and resilient economy. So, for this pillar we have focused on identifying broader, whole of economy, reform areas that underpin our objectives of dynamism and resilience.

What are the pillars of productivity?

In 2024, the Australian Government asked us to identify the highest priority reform areas under 5 pillars of productivity:

1. Creating a more dynamic and resilient economy
2. Building a skilled and adaptable workforce
3. Harnessing data and digital technology
4. Delivering quality care more efficiently
5. Investing in cheaper, cleaner energy and the net zero transformation.

We will deliver practical and implementable policy ideas across the 5 pillars at the end of 2025.

Sub-page – Policy reform area

Support business investment through corporate tax reform

An improved corporate tax system can help Australia attract foreign capital, spur businesses to invest, enter new markets, innovate and improve labour productivity. This helps improve living standards, and helps Australia become a more dynamic and resilient economy.

Gross fixed capital formation (such as additional factories, machinery, and equipment) has declined over the past decade, and non-mining private sector investment as a share of GDP has fallen approximately 3 percentage points since 2009. This means there is less capital available for workers to use, which contributes to Australia's stagnant productivity growth.

The way companies are taxed is a key determinant of businesses' investment decisions and their willingness to innovate. Australia would benefit from a simpler and more efficient tax system. This would improve after-tax returns available to businesses and support investment.

A range of Australian tax reviews, academics, think tanks, and international institutions have repeatedly pointed to the economic costs of existing company taxation and recommended changes to Australia's corporate tax arrangements (Henry Tax Review 2010; Treasury 2012, 2015; IMF 2018; OECD 2021).

Effective company tax rates can be changed in a variety of ways. These include changes to tax rates themselves, or changes to the company tax base.

Our approach

In this inquiry we will evaluate options to support business investment and productivity growth through changes to Australia's corporate tax arrangements. The inquiry will also consider the importance of fiscal neutrality, and the extent to which options are consistent with achieving an efficient and equitable tax system that aligns with desirable long-run directions for the corporate tax system.

We will undertake a thorough assessment of these options, and their relative effects on business investment, productivity growth, company tax revenue and overall tax revenue.

We welcome input to help us develop a full understanding of each of these issues.

Sub-page – Policy reform area

Reduce the impact of regulation on business dynamism

Regulation can help to achieve important economic and social objectives, but excessive or inappropriate regulation can stifle business dynamism, resilience and productivity.

Reducing regulation, if done judiciously, can lower costs of doing business, allow more firms to enter the market, lower prices for consumers and support innovation. For more than a decade we have heard that the burden of government regulation has increased, and we have an opportunity to shift regulatory focus towards growth outcomes.

All regulations have costs and benefits. Good governance involves only introducing new regulations when the expected benefits exceed the expected costs and when this net benefit is larger than that of other options. Good governance also involves taking into consideration the cumulative burden of existing regulation, by taking into account the whole stock of regulation imposing a burden on business. It should drive governments to repeal or alter regulations when their benefits do not exceed the costs.

Our approach

In this inquiry, we will examine how Australia regulates businesses, including the institutional processes for introducing new regulation and how existing harmful regulation could be improved or removed.

We will look at:

- the arrangements for introducing new regulation, how to reduce the burden of existing regulations, consideration of the cumulative burden of regulation, and ways to streamline and harmonise regulation across state and territories
- the Policy Impact Analysis process (2023), which is a key mechanism for assessing proposed Australian Government regulations
- the Australian Government's regulatory reform agenda, which also involves state and territory governments.

The inquiry aims to propose changes to the current institutional arrangements and existing regulations, while not sacrificing the important objectives that regulation aims to achieve. The intent is for businesses to be able to devote less time and fewer resources to dealing with regulation, and to focus more on growth and innovation, while ensuring businesses can readily adapt to changing market conditions.

While this inquiry is not an audit of the effects of all existing regulations, we welcome examples of existing regulations that are particularly harmful to dynamism and productivity, information on the burden of this regulation on business relative to its stated benefit, and information on how these regulations came into effect.

Sub-page – Consultation page with online form

Have your say on a more dynamic and resilient economy

Section 1. About you and/or your organisation

Senex is a world-class supplier of reliable and secure natural gas – committed to delivering essential energy for life. The energy we proudly provide is essential to our modern lives and for the thriving communities we serve. Senex is also a critical energy provider to Australia's manufacturing industry, supporting thousands of workers who make essential goods - from bricks to plasterboard to glass bottles.

Senex is currently completing a $1 billion Surat Basin expansion project that will increase production capacity to 60 petajoules each year – equivalent to around 10 percent of the east coast domestic gas market. First gas flowed to the market earlier this year, The project is delivering more than 700 Queensland jobs during construction and an additional 200 ongoing jobs will be created over the project's life. At the same time, around $200 million is being invested into local communities and the project will deliver billions in economic investment, taxes and royalties that can be used to fund Queensland hospitals, roads, schools and emergency services.

Senex is committed to continuing to develop Queensland's natural gas resources for the benefit of all Australians. We welcome the opportunity to put forward recommendations that support productivity improvements in the energy sector and would welcome the opportunity to discuss them with the Commission.

Your details

Contact information

Attribution

7. Whose views does your response represent? (Please include the full names of applicable individuals, groups or organisations).

Senex Energy

Consent

9. Do the attributed parties consent to the PC publishing your response on our website and referring to it in our reports?

- **Yes, with attribution**
- Yes, without attribution
- No, do not publish my response or refer to it in your reports

We will only publish your response if it meets our community guidelines. We are unable to refer to unpublished responses within our report.

For further information on how we handle your information visit our Privacy Policy and Information Policy.

10. Guidelines and policies agreement

- I have read and agree to the above guidelines and policies.

Providing supporting documents (optional)

At this stage of the inquiry, we are only accepting and reviewing supporting documents that meet the following criteria:

- They contain data, charts and supporting information relevant to the policy areas and questions we are asking in this round of consultation
- The attributed participant(s) hold the copyright for the information contained in the documents
- The documents don't include any personal or identifying information.

There will be an opportunity to provide submissions on our policy reform ideas when we release our interim report.

11. Will you be providing any documents to support your response?

- Yes

How to provide a supporting document

Once you have submitted your response via the 'Submit' button below, you will receive a confirmation email from us. Please reply to this confirmation email with your supporting documents attached.

For accessibility reasons, we prefer Microsoft Word documents.

Once we receive your supporting documents, we will review them alongside your response. If your contributions meet our community guidelines, and you have provided consent, we will publish them to engage.pc.gov.au within 14 days.

We are seeking responses to questions on two policy reform areas.

Which policy reform areas would you like to respond to?

- **Reduce the impact of regulation on business dynamism**
  Reducing excessive or inappropriate regulation can unshackle business and enhance business dynamism and productivity. We are interested in your experience with regulation, both good and bad.

Section 3. Reduce the impact of regulation on business dynamism

All regulations have costs and benefits. Good governance involves only introducing new regulations when the expected benefits exceed the expected costs and when this net benefit is larger than that of other options.

In the first question, we want to hear your views on what regulations are good for business dynamism and resilience.

12. **What areas of regulation do you see as *enhancing* business dynamism and resilience? What are the reasons for your answer?**

13. **How has your regulatory burden changed over time?**

14. **What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?**

Senex supports fit for purpose regulation. As an upstream natural gas producer focused on supporting the east coast domestic market, Senex response is focused on two areas of regulation:

- environmental approvals under the EPBC Act (please refer to Senex's submission to the Pillar 5 consultation); and
- energy and gas market regulation.

Over the past decade, energy and gas markets have been subject to frequent and substantial regulatory change including the Federal Government's 2022 gas market intervention. These actions have increased uncertainty in the sector and put at risk long-term investments in much needed new supplies of natural gas. Senex, and Australian Energy Producers (the industry association of which

Senex is a member), have made various submissions and public statements related to these issues and we refer the Productivity Commission to those submissions[1].

Aside from market intervention and changes to the overarching regulatory environment, the energy sector has also been subject to "regulatory creep" from existing energy market bodies.

The existing gas market governance model was designed to ensure clear separation between rule making (AEMC), rule enforcement (the Australian Energy Regulator (AER)) and the operation of the market (AEMO). Government intervention and the increasing role of other regulators such as the ACCC over the years has blurred the boundaries and created duplication at the expense of predictable and efficient regulatory outcomes. Examples and observations of this across the various market bodies include:

- The ACCC has taken on a more significant east coast market oversight role particularly through its 2017-2030 Gas Market Inquiry and enforcement of compliance with the Mandatory Gas Code of Conduct. The ACCC regularly exercises its extensive information gathering powers to support this work, adding significantly to regulatory burden.
- The AER wholesale market monitoring powers were expanded in 2022/23, extending its remit beyond its primary function of rule enforcement and duplicating much of the ACCC's work in assessing the efficient and effective functioning of the wholesale gas market.
- Government departments/other agencies, rather than the AEMC, have directed market reform – including in the development of the Mandatory Gas Code of Conduct, Gas Transparency Measures and Reliability and Supply Adequacy Framework.

Senex supports a well-functioning east coast gas market and recognises the importance of information transparency in achieving efficient market operation and in informing policy development. However, the purpose of information gathering and reporting must be clear, and the value of the information collected must outweigh the increase in regulatory burden.

The current approach involves producers reporting similar but not identical data covering different time periods (calendar month/quarter, mid-month reporting, ad hoc etc.) to multiple market bodies and government agencies. Definitions of key terms such as production are not consistent across the reporting. In combination, these issues add significant regulatory burden and cost without adding to market transparency and efficiency. This approach also fails to address the underlying , which is a lack of new natural gas supply entering the market, and instead adds unnecessarily to the cost of production.

Recommendation: in the first instance, the timing, frequency and scope of energy market reporting should be harmonised across energy market bodies (AEMO, AEMC, AER), the ACCC and other relevant government agencies and departments. This includes agreeing consistent definitions of key terms such as 'production' to simplify reporting.

[1] Federal Government gas intervention puts $1 billion Atlas expansion in Queensland at risk,
Senex calls on the Federal Government to re-think intervention plans to maintain gas investment for Australian businesses and homes,
Last hurdle remains before critical gas supply can flow to Australian manufacturers,
Green light for Senex's $1 billion investment to boost domestic gas supply

In the medium term, a more comprehensive review and realignment of the roles of the market bodies to their original powers and functions is warranted.

15. Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

Senex presents the following example from the Queensland regulatory environment to demonstrate what can be done to streamline environmental regulation, reduce the compliance burden on business while maintaining rigorous environmental standards.

During the growth of the Queensland onshore natural gas industry, the State Government recognised the opportunity to work with industry through the industry association to develop a set of standard environmental conditions that could be applied to commonly performed activities across multiple geographies and by multiple companies.

This led to the introduction of the 'Streamlined model conditions for petroleum conditions'[2] in 2014. These conditions are outcomes-focussed, provide for transparency and consistency across the petroleum industry and have assisted in improving decision making timeframes.

In an industry such as the onshore gas industry, where the activities are repeatable (e.g. drilling of wells, construction of water infrastructure and compression facilities), the environmental risks are well known and understood, and controls and mitigations are effective in managing those risks, development of standard conditions can drive productivity while maintaining high environmental standards.

Recommendation: that the federal government develop standard, outcome-based conditions for the management of environmental risks, including standard conditions for the onshore gas industry.

[2] ESR/2016/1989 Streamlined model conditions for petroleum activities