

06 April 2018

Senate Economics References Committee
Corporate Tax Avoidance Inquiry
ExxonMobil Australia Public Hearing
Wednesday, 14 March 2018
Questions Taken on Notice

By email: economics.sen@aph.gov.au

Overview – ExxonMobil Australia Group Operations

The ExxonMobil Australia (EMA) Group has been operating successfully in this country since 1895. We have invested almost A\$40 billion in Australia. Over the last decade we have had an effective tax rate, including PRRT and income tax of greater than 50 cents in every dollar. Furthermore, our community contributions since the commencement of our operations have been substantial, including making community contributions during the last seven years of in excess of A\$1 million each year.

Esso Australia Resources Pty Ltd (Esso), a subsidiary of the EMA Group is the operator of the Gippsland Basin Joint Venture (50/50 Joint Venture with BHP). Our Longford plants and 23 offshore platforms and installations and over 600 kilometres of underwater pipelines provide 50 per cent of eastern Australia's domestic gas needs.

Over the past decade we have been investing significant amounts into our Gippsland Basin operations. With our joint venture partners we have also invested over A\$5.5 billion in the Kipper Tuna Turrum project¹. This project is the largest single investment, ever, in Australia's domestic gas market. It will access 1.6 trillion cubic feet of gas and help offset declines in our mature Gippsland fields. We have also recently completed the A\$400 million 187 kilometre Longford Liquids Pipeline which will help keep the crude oil, and associated gas flowing to the nation.

As exploration spend levels fall in Australia, the EMA Group continues to explore for new opportunities. With no guarantee of success, more than A\$100 million will be invested by Esso Deepwater Gippsland in the drilling of wells in mid 2018 with the objective of seeking to find high quality, low CO₂ gas, which could be developed for supply into the east coast gas market.

Mobil, a subsidiary in the EMA Group owns and operates the Altona refinery in Melbourne, which is a major supplier of Victoria's fuel needs. It processes crude oil into petrol, diesel, jet fuel and liquefied petroleum gas. Mobil also imports finished product to markets across Australia from the world-scale Singapore refining complex, which is owned by a related entity. In addition we operate a network of distribution terminals, including Yarraville in Victoria, Birkenhead in South Australia and Silverwater in New South Wales. These terminals distribute a variety of petroleum products including petrol, diesel, aviation fuel and heating oil.

While other refineries in Australia have elected to close down, our downstream (Mobil) business has invested significantly to help fuel Australia's future. The EMA Group has invested in technological capital infrastructure at our Altona Refinery in Victoria. This investment has increased refining

¹ EMA Group has a 32.5 per cent interest in the Kipper project

capacity by 10,000 barrels per day, from 80,000 to 90,000 barrels. We are also investing significant amounts to improve the supply of jet fuel to Melbourne Airport, including the construction of two new tanks to be in operation by 2019.

The EMA Group also has a 25 per cent interest in the A\$60 billion Gorgon project, one of the world's largest natural gas projects, and the largest single resource development in Australia's history.

Responses to Questions Placed on Notice:

1. CHAIR: 'How much was spent on legal costs with the ATO in the past 10 years?' (p.28)

Our best estimate based on our readily available data is around \$10million, with the bulk of this relating to PRRT disputes that were fully resolved by 2013.

2. Senator Cameron: 'How much was that [external party] debt?' (p.29)

ExxonMobil Australia had a United States Dollar commercial paper program in March 2000, with initial borrowing of US\$2.3 billion. By May 2001, the outstanding balance had reduced to US\$1.7 billion, at which time the facility was fully paid-out and replaced with an Australian Dollar loan from a related entity.

3. Senator Cameron: 'Can you provide details of that [interest deductibility of the loan]. Have you used intragroup loans to generate interest deductions in excess of the group's actual third-party interest expense?' (p.29)

Generally Exxon Mobil Corporation's interest expense will be higher than that of ExxonMobil Australia Pty Ltd. However, in 2013 during a period of very high oil prices Exxon Mobil Corporation had relatively low interest expense at a time when ExxonMobil Australia's borrowings were increasing in order to fund its high level of capital expenditure.

4. Senator Cameron: 'There's a list of companies in the OECD that are engaged in some of these activities. Are you on that list?' (p.30)

No.

5. Senator Cameron: 'What's the relationship between the Dutch entity and the Bahamas entity?' (p.31)

ExxonMobil Asia Pacific Holding Limited, formed in the Bahamas, owns all of the outstanding shares of ExxonMobil Australia Holding B.V., formed in the Netherlands. As such, with respect to its interest in ExxonMobil Australia Holding B.V., ExxonMobil Asia Pacific Holding Limited holds all of the rights and obligations of a regular shareholder under the law.

6. Senator Cameron: 'Can you provide details of significant tax findings that have been made against you in other jurisdictions?' (p.34)

The unrecognised tax benefits disclosures, including material tax related litigation matters, for Exxon Mobil Corporation per U.S. generally accepted accounting principles are included in the Form 10-K disclosure. Exxon Mobil Corporation's 2017 Form 10-K disclosure includes information about ongoing income tax positions in the U.S. that are at issue with the Internal Revenue Service for tax years beginning in 2006.

7. CHAIR: ‘Are there other jurisdictions where Exxon has outstanding tax filings where the equivalent —’ (p.38)

Per U.S. generally accepted accounting principles, Exxon Mobil Corporation must disclose the tax years for which its tax filings remain subject to examination by each major tax jurisdiction. Exxon Mobil Corporation’s 2017 Form 10-K discloses that the company has tax filings that remain open examination in:

Country of Operation	Open Tax Years
Abu Dhabi	2014-2017
Angola	2016-2017
Australia	2008-2017
Belgium	2015-2017
Canada	1998-2017
Equatorial Guinea	2007-2017
Indonesia	2007-2017
Iraq	2012-2017
Malaysia	2009-2017
Nigeria	2006-2017
Norway	2007-2017
Papua New Guinea	2008-2017
Russia	2015-2017
United Kingdom	2015-2017
United States	2006-2017

8. CHAIR: ‘Under the previous Labor government, there was an attempt to introduce tax transparency measures that required annual disclosure of corporate income tax payments. Did your company oppose that measure?’ (p.38)

ExxonMobil Australia did not advocate on this.

9. Senator Kitching: ‘What is it in 2021, given you have said that’s when you will start paying company tax?’ (p.39)

Current estimate is around \$400 million.

10. Senator Kitching: ‘Who are these three [Pieter Huisman, Antonius Jozef van der Linden and Jan Louis Alfons Michielsen]? Are they just professional shareholders, as some companies—’ (p.39)

Peter Huisman is General Counsel of Esso Nederland B.V., Antonius van der Linden is Business Services Manager and Treasurer of Esso Nederland B.V., Jan Michielsen is Lead Country Manager for operations in the Benelux group of countries (Belgium, Netherlands and Luxembourg).

11. Senator Cameron: ‘Well, why is it there?’ [referring to The ‘Netherlands’ company] (p.40)

Contact between ExxonMobil Australia Pty Ltd and ExxonMobil Asia Pacific Holding B.V. relates to shareholder actions that are required pursuant to the Constitution of ExxonMobil Australia Pty Ltd.

Exxon Mobil Corporation has a number of affiliates incorporated and/or formed around the world. Some affiliates, like ExxonMobil Asia Pacific Holding Limited, are formed in the Bahamas for simplicity and predictability of the country's laws governing incorporation. Some affiliates, like ExxonMobil Asia Pacific Holding B.V., are incorporated in the Netherlands for a number of reasons, including the protections available under the country's broad treaty network.

12. Senator Cameron: 'Can you also provide us with how much profit you've been making in Australia?' (p.40)

The table below show's ExxonMobil Australia Pty Ltd's profit/(loss) after tax from continuing operations for the last ten years as reported in its statutory accounts.

Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
(A\$ million)	38	(60)	181	553	454	466	427	602	276	940	993

13. Senator Kitching: 'So was it an unincorporated association, was it?' [Referring to Kaefer Integrated Services Pty Ltd and UGL Resources Pty Ltd] (p.43)

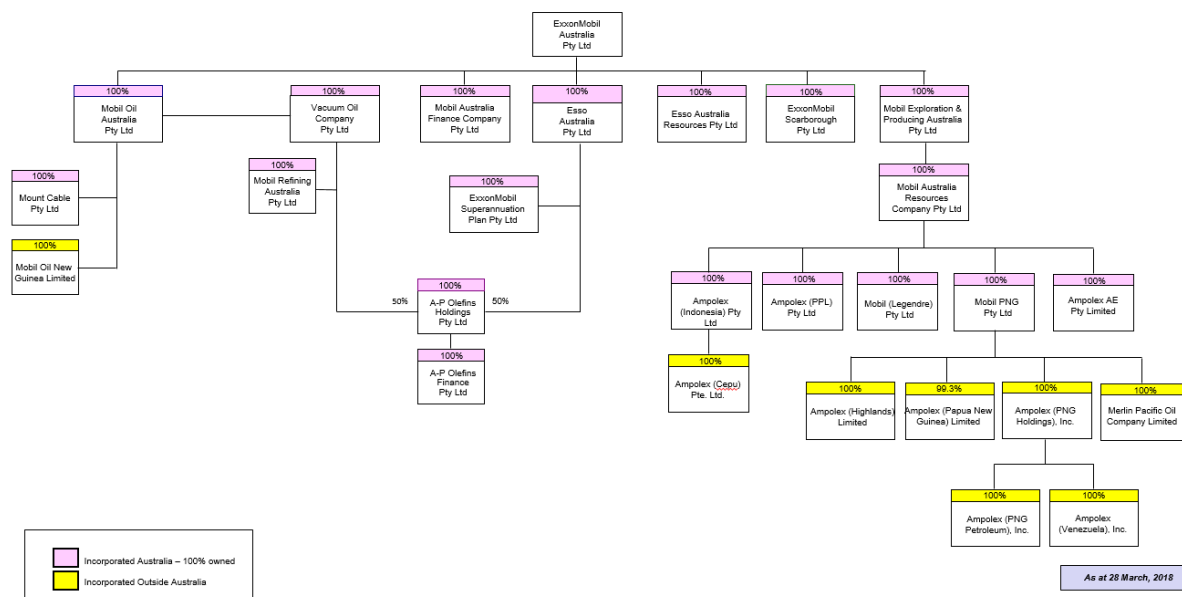
It was a partnership between Kaefer Integrated Services Pty Ltd and UGL Resources Pty Ltd.

14. Senator Marshall: 'Can I just put one question on notice. I think it was partially answered. You have taken on notice the ownership structure below you, the Australian entity. I think you have partially taken on notice some of the ownership structure above you. Can you take on notice and just provide to us the chain of ownership both above and below you, who they are and where they are based'. (p.45)

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15. **Senator Kitching: 'Were the proposed company tax cuts covered?... 'I would be interested to know about that and whether there were any undertakings given by the Treasurer in relation to corporate tax cuts' (p.46)**

ExxonMobil did not advocate for corporate income tax cuts in Australia at this meeting.