

Please direct all responses/queries to:  
**Andrew Decet, Government Relations and Policy Manager**

24 April 2024

Senate Standing Committee on Economics  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
**Att:** Senator Nick McKim

Via email: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

Dear Senator

**RE: SENATE STANDING COMMITTEE ON ECONOMICS: INQUIRY INTO TREASURY LAWS AMENDMENT (TAX ACCOUNTABILITY AND FAIRNESS) BILL 2023 [PROVISIONS] – QUESTIONS ON NOTICE**

Consistent with our submission to the Inquiry, Woodside is steadfast in the belief the Australian people must receive a fair return for the finite resources we extract. We also firmly believe this can be achieved in a way which protects energy security, local jobs and the future investment which is required to support the energy transition both here and abroad.

This is supported by the findings of the Callaghan Review which outlined:

*“The overall assessment is that while the Petroleum Resource Rent Tax (PRRT) remains the preferred way to achieve a fair return to the community for the extraction of petroleum resources without discouraging investment, changes should be made to PRRT arrangements to make them more compatible with the developments that have taken place in the Australian oil and gas industry. However, the timing of any changes will need to take into account that there have been very large investments in the Australian petroleum industry based on tax arrangements that have been in place for nearly 30 years. Fiscal certainty is an important factor influencing a country’s investment attractiveness.”<sup>1</sup>*

As you are aware, PRRT is just one of several taxes that Woodside contributes to the State and Federal budgets, and we trust the Committee members will consider the entire fiscal environment in their final report.

Woodside is the largest payer of PRRT and our total tax and royalties bill in Australia was A\$5 billion last year. Since the PRRT was enacted, we have paid more than A\$20 billion in PRRT across our portfolio<sup>2</sup>, and over and above this, the North West Shelf (NWS) Project participants have paid A\$40 billion in Federal Royalties and Excise since production started.<sup>3</sup>

Importantly, Woodside’s growth projects are expected to support energy and job security for decades to come, offer an alternative to coal and can provide back-up support for electricity grids powered by renewables. For example, our Scarborough Energy Project will deliver domestic gas from the

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<sup>1</sup> [Petroleum Resource Rent Tax Review \(treasury.gov.au\) \(p.13\)](#)

<sup>2</sup> Includes data relevant to the assets acquired through the merger with BHP’s petroleum business both before and from 1 June 2022.

<sup>3</sup> Based on amounts collected by the Australian Government in Federal Budget papers from 1984 to 2023 and other records.

Scarborough gas field, which contains less than 0.1% carbon dioxide, at a time when it is needed and generate an estimated A\$19 billion in direct Australian taxes.<sup>4,5</sup>

Under the proposed PRRT amendments in Schedule 5 of Treasury Laws Amendment (Tax Accountability and Fairness) Bill 2023 we expect to pay increased PRRT over the forward estimates. But it is our view any further changes risk unintended consequences and will prolong the ongoing uncertainty from a review that commenced in 2016.

Woodside appreciated the opportunity to appear before the Committee and our responses to the 'Questions on Notice' are detailed in Appendix 1.

Your sincerely



**Graham Tiver**  
Executive Vice President and Chief Financial Officer

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<sup>4</sup> Further information on Woodside's climate strategy and disclosures can be accessed via: [Climate \(woodside.com\)](https://www.woodside.com.au/Climate)

<sup>5</sup> [Proposed development of Scarborough - Economic Impact Statement \(acilallen.com.au\)](https://www.acilallen.com.au/Proposed-development-of-Scarborough-Economic-Impact-Statement)

## APPENDIX 1 – RESPONSES TO QUESTIONS ON NOTICE

1. *How much in uplift credits does Woodside have access to?*

Notwithstanding the PRRT-expenditure carry-forwards available to Woodside, under the proposed PRRT amendments we expect to pay increased PRRT over the forward estimates.

As described in Note A.5 to the Woodside 2023 Annual Report, Woodside has recognised US\$1,101 million in connection with PRRT-expenditure carry-forwards as of 31 December 2023.

2. *Treasury's consultation materials says the cap would not apply to starting base expenditure, but when announced two months later it also excluded 'resource tax expenditure' which only applies to the North West Shelf. Did Woodside advocate and secure this addition to the policy as a result of these consultations?*

The Woodside operated North West Shelf (NWS) Project has paid A\$40 billion in Federal Royalties and Excise since starting production in the 1980s (100% venture).<sup>6</sup> The primary form of taxation on the NWS Project has always been Federal Royalties and Excise but this project is also subject to PRRT.

3. *Can Woodside please provide a copy of the agenda for the 10 March 2023 meeting?*

A copy of Treasury's agenda and other materials from the meeting conducted on 10 March 2023 can be accessed via the 'Senate Order for production of documents' web page: [Tabled documents | Document 2849 \(aph.gov.au\)](#)

4. *In Treasury minutes of the 10 March meeting, it says industry claimed that a netback only approach would not provide an appropriate return to capital for the downstream part of the business. Given that the PRRT is a super profits tax, do your financiers require you to make super profits?*

As a general proposition, financiers require Woodside to repay any debt drawn when due. We are evaluated with reference to a publicly available credit rating.

The PRRT is a profits-based tax applicable to offshore oil and gas projects. The PRRT applies (over and above company tax) to the excess of project revenues over costs. These costs include a rate of return on development capital and exploration expenditures. The tax rate is 40%. A summary of the PRRT construct can be accessed in the Callaghan Review.<sup>7</sup>

LNG projects are characterised by long lead times, high capital intensity and then long production periods. LNG projects in Australia can take many years to achieve returns because of capital intensity and commodity price cycles. However, the Government's tax take from projects commences from production start-up through payments of corporate income tax and state payroll taxes. This means the Government derives a return even before investors reach break-even.

5. *The consultation materials show that Treasury were going to lift the rate to allow a return on capital of 7% plus the long-term bond rate. Is this not a sufficient rate of return for your financiers and investors? What else do they require?*

Woodside's disciplined approach to capital allocation and targeted returns, including for LNG projects, is outlined on slide 22 of our 2023 Full-Year Results.<sup>8</sup>

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<sup>6</sup> Based on amounts collected by the Australian Government in Federal Budget papers from 1984 to 2023 and other records.

<sup>7</sup> [Petroleum Resource Rent Tax Review \(treasury.gov.au\)](#)

<sup>8</sup> [Full-year 2023 Results Briefing Presentation \(woodside.com\)](#)

6. According to table 8.1 of the PRRT report to the Treasurer, the deductions cap raises more revenue under a central and low-price scenario. Why does Woodside prefer this model over a netback only or modified residual pricing model?

We are aligned to the findings of the Callaghan Review, the PRRT achieves “a fair return to the community for the extraction of petroleum resources without discouraging investment”.<sup>9</sup>

Stable tax and fiscal settings are required for businesses in Australia to make the large, long-term investments that support energy security, decarbonisation and economic growth.

This is because the long-term uses of gas include:<sup>10</sup>

- Power generation (as an alternative to coal and as a backup for renewables).
- High temperature industrial process heat.
- Chemical feedstock.

Which contributes to and protects energy security, local jobs and the future investment which is required to support the energy transition both here and abroad.

<sup>9</sup> [Petroleum Resource Rent Tax Review \(treasury.gov.au\)](http://treasury.gov.au)

10 Woodside Climate Transition Action Plan (CTAP): [climate-transition-action-plan-and-2023-progress-report.pdf \(woodside.com\)](https://www.woodside.com.au/content/dam/woodside/energy/Climate%20Transition/Climate%20Transition%20Action%20Plan%20and%202023%20Progress%20Report.pdf) (page 46).