

24 April 2024

Chevron Australia responses to the questions on notice received from Senator Bragg from the public hearing of 9 April 2024 for the Senate Economics Legislation Committee's Inquiry into Treasury Laws Amendment (Tax Accountability and Fairness) Bill 2023:

1. What is the investment climate like for gas projects in Australia at the moment?

Chevron is one of Australia's largest international investors, and together with its joint venture participants has invested over A\$80 billion in the Chevron-operated Gorgon and Wheatstone natural gas projects.

Gorgon and Wheatstone natural gas plants are reliably supplying approximately 47 percent¹ of Western Australia's domestic gas needs – fuelling the state's powerhouse mining sector, critical minerals processing, and electricity generation for households – while contributing around 6.5 percent of global LNG supply.

Gorgon and Wheatstone facilities are multi-decade developments. We continue to progress work on future subsea projects, which remain subject to regulatory approvals and investment decisions by Chevron and its joint venture participants. These major projects to bring-on new supply will require tens of billions in additional investment in the coming decades.

Fiscal and regulatory certainty is key for countries such as Australia to remain an attractive place to invest. While most of the fundamentals that gave us the confidence to initially invest in Gorgon and Wheatstone remain, multiple recent regulatory and policy shifts have raised concerns across the gas sector. No single change may be a deterrent to future investment, but the cumulative effect of these shifts is challenging Australia's competitive edge and investment appeal.

We did not believe changes to the PRRT were necessary because the prevailing settings were working as intended and Chevron was always forecast to pay PRRT once it had recovered its initial investment on its projects in WA. The Government took a view that change was needed, so we participated in the government's consultation process to provide our feedback on potential consequences of the proposed reforms. We engaged with the view to ensuring that Australia remains an attractive place to invest to maintain energy security, and that there is an industry here to continue to tax and support the economic development of the country for years to come. Given this, we support the *Treasury Laws Amendment (Tax Accountability and Fairness) Bill 2023* being passed by the Australian Parliament, in its current form.

Further to this, Australia's investment attractiveness could be improved by adopting more efficient and streamlined approvals processes, and having bi-partisan political support for the regulatory framework to increase confidence that regulatory requirements will be more stable. Being an attractive investment destination will enable ongoing development of both traditional and new energy sources and the associated economic benefits and jobs for Australia.

2. How does Australia's investment climate compare to the US or Canada?

Chevron and its partners were confident to invest A\$80 billion initially into Gorgon and Wheatstone in Australia because it was underpinned by strong fundamentals: a world-class resource base, a

¹ Based on domestic gas production in WA in Q1 2024.

stable policy and fiscal environment, sustained demand from premium customers, and unparalleled joint venture alignment and collaboration.

Most of the fundamentals that gave us the confidence to initially invest in Gorgon and Wheatstone remain, however, multiple recent regulatory and policy shifts have raised concerns across the gas sector. While no single change may be a deterrent to future investment, the cumulative effect of these shifts is challenging Australia's competitive edge and investment appeal.

The global energy investment landscape is evolving, with the US *Inflation Reduction Act* leading the way, prompting companies to reassess their investment strategies and other countries, including Australia, to offer their own investment incentives in response.

While incentives can support investment decisions, alone they are not enough. Fiscal and regulatory certainty and stability is key for large-scale multi-decade capital investments whether the project is for gas, renewable energy, or another energy source.

It's crucial for Australia to leverage its competitive advantages and ensure proposed reforms, when they are undertaken, do not inadvertently impact future investment or tarnish the country's reputation as a viable investment destination.

3. Do you agree that reform is required to ensure Australia is able to increase its gas supply?

To ensure sufficient gas supply is developed to meet demand requirements in a timely manner, Australia must ensure it has a stable, clear, and efficient policy and regulatory framework.

To do this Chevron recommends the Australian Government should:

- Clarify and amend its major project assessments and approvals processes to improve efficiency, certainty and predictability for major projects whilst maintaining a robust regulatory framework.
- Provide a pathway to prioritise projects and developments critical to energy security in Australia and the region for government and regulator assessments and processes.
- Increase the investment attractiveness of Australia for gas developments, particularly given international investment will be needed for large-scale energy projects.
- Promote policies that incentivise investment in energy supply and infrastructure, including common user infrastructure; energy system reliability; and measures that promote energy efficiency.

As has been highlighted by industry for some time, there are opportunities to greatly improve and streamline regulations for project proponents, regulators and other stakeholders when major project proposals are assessed so that approvals are more timely and less duplicative between regulators and jurisdictions.

In the Federal government jurisdiction, an example of a regulatory reform that is required is as outlined in the *OPGGGS Amendment (Safety and Other Measures) Bill 2024* currently before Parliament. This Bill details changes in relation to stakeholder consultation requirements for offshore environmental regulations and will improve clarity and certainty for both project proponents and the stakeholders we consult. Importantly, the changes will not reduce or dilute consultation.

- a. **By extension, if the Government were to continue on their current trajectory of undermining investment instead of encouraging it, would you expect that future tax collection from projects would decrease as no new projects come online?**

Fiscal and regulatory certainty is key for countries such as Australia to remain an attractive place to invest. While most of the fundamentals that gave us the confidence to initially invest in Gorgon and Wheatstone remain, multiple recent and rapid regulatory and policy shifts have raised concerns across the gas sector. No single change may be a deterrent to future investment, but the cumulative effect of these shifts is challenging Australia's competitive edge and investment appeal.

We did not believe changes to the PRRT were necessary because the prevailing settings were working as intended and Chevron was always forecast to pay PRRT once it had recovered its initial investment on its projects in WA. The Government took a view that change was needed, so we participated in the government's consultation process to provide our feedback on potential consequences of the proposed reforms. We engaged with the view to ensuring that Australia remains an attractive place to invest to maintain energy security, and that there is an industry here to continue to tax and support the economic development of the country for years to come. Given this, we support the *Treasury Laws Amendment (Tax Accountability and Fairness) Bill 2023* being passed by the Australian Parliament in its current form.

4. **The Coalition has put forward a number of simple reforms that would assist in bringing more gas supply online at a time when we are staring down the barrel of gas shortages only a couple years away - this was reported in the media. In your view, have any of the reforms called for in the Coalition's letter been implemented and actioned by the government?**

We understand the Coalition wrote to the government on a number of reforms it wanted in return for supporting the PRRT legislation. We have not seen the letter sent from the Coalition to the Government on this matter but based on media reporting about the requests from the Coalition, we are supportive and believe what was requested by the Coalition was measured and pragmatic.

In terms of implementation, we are aware – again through the media – of the government's response to the Coalition's requests. We are supportive of the government's Bill before Parliament, the *OPGGS Amendment (Safety and Other Measures) Bill 2024*, in its original form, that will address the Coalition's request to drive offshore gas investment by clarifying the regulatory consultation requirements under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*.

- a. **By your assessment, would "Urgently reforming the Offshore Environment Regulations under the Offshore Petroleum and Greenhouse Gas Storage Act to provide clarity on consultation requirements and restart offshore gas investment" help increase gas supply?**
- i. **Were you concerned to see the Government vote against considering its own bill, which had bipartisan support in the last sitting week, despite what now appear to be empty promises of progressing these reforms with urgency?**
- b. **Would "Preventing the abuse of 'stop the clock' provisions, which are being used by regulators to effectively circumvent statutory timeframes for approvals under the EPBC Act and OPGGS Act" help get more gas supply into the market quicker?**
- i. **Is it your understanding that the "Nature Positive Plan" and an EPA decision making body would achieve this streamlining and faster approvals, or are you not only concerned with the secretive and**

exclusionary consultation process, but also the content of the proposals and how it may grind approvals to a standstill?

- c. Would “Carving out all existing project applications, including those submitted but not yet approved, from any future EPA process so as not to move the goalposts on industry yet again” help boost investor confidence?**
- d. Would “Removing bans from IR&D Act section 3 instruments supporting the extraction of natural gas”, which was used by the previous Government to fund programs like the Strategic Basins Plan, bolster investor confidence that the Government was actually supportive rather than against gas?**

With regards to the above questions, we believe what was requested by the Coalition was measured and pragmatic and would assist in ensuring the responsible development of resources is appropriately regulated.

- 5. Of the \$2.4 billion of revenue the Government booked in last year’s budget as revenue in the forward estimates from PRRT changes, are you able to estimate the proportion of that revenue that will be an additional tax impost on industry (i.e., new revenue) versus that revenue that will just be tax that is paid sooner than it otherwise would have (i.e., bring forwards)?**

From a Chevron Australia perspective, based on our current projections, the PRRT changes will ensure that Chevron will start paying PRRT immediately rather than in the next decade. This means we will pay more PRRT in real terms. We are unable to comment or speculate on the tax position of other companies.

- 6. Is it expected by your members that their PRRT liabilities will increase, decrease, or stay the same over the medium term as a result of this legislation?**

We believe Australian Energy Producers is best placed to answer this question given it is asking for an industry-wide perspective.

- 7. Were the Government to confirm this estimate of the proportion of new revenue to revenue brought forward, as a whole for industry, would you have concerns with this information being public?**

We believe Australian Energy Producers is best placed to answer this question given it is asking for an industry-wide perspective.