



20 April 2018

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

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

Re: Inquiry into the Commitment to the Senate issued by the Business Council of Australia

Dear Committee Secretary

Origin Energy welcomes the opportunity to participate in the Senate Economics References Committee Inquiry into the Commitment to the Senate issued by the Business Council of Australia.

Origin is the leading Australian integrated energy company. It is the leading energy retailer with approximately 4.2 million customer accounts, has approximately 6,000 MW of power generation capacity and is also a large natural gas supplier. Origin has a 37.5% shareholding in Australia Pacific LNG, and is also the upstream operator. Australia Pacific LNG supplies natural gas to domestic markets and exports LNG under long term contracts. Origin employs around 5,500 people across Australia.

Origin reiterates the Commitment made by our CEO, Frank Calabria, to the Senate in March 2018, which included other signatories from members of the Business Council of Australia.

Origin supports the implementation of the Enterprise Tax Plan, and the lowering of the company tax rate from its current 30 per cent rate to 25 per cent by 2026-27. This proposed corporate tax rate compares with that of the United States, which today is 21 per cent.

Origin believes the Enterprise Tax Plan represents good public policy. The reduction of the corporate tax rate will assist our economy's international competitiveness, ultimately encouraging greater investment from companies such as Origin. In time, Origin believes that this increased economic activity will deliver more jobs and higher wages than under the current corporate tax rate of 30 per cent. The Commitment to the Senate by the BCA reflects this belief.

Historical Tax Paid (Question 1)

Origin complies with all tax laws and regulations applicable in the countries in which we operate. We do not undertake activities that aggressively minimise our tax position. In FY17 98% of Origin's income was earned from operations in Australia and we are an Australian tax resident. Our only active overseas activities are supplying LPG, bottled gas, to our pacific neighbours including PNG, Fiji and Vanuatu.

Our average underlying tax rate was 29.9% of earnings over the past 13 years from FY05 to FY17. However, over the past three years Origin did not pay company tax. This is due to a combination of tax losses as a result of significant investments in growth projects, Origin not making a profit, and the utilisation of franking deficits tax that was paid as a prepayment of corporate tax. Our aim is to return to profitability and therefore again pay corporate tax.

Details on our tax payments are covered in our Income Tax Transparency Report that is available on our web site.

Investment and Jobs (Questions 2 and 3)

Origin had a market capitalisation of \$700 million and around 2,000 employees when it was demerged from Boral and listed on the ASX in 2000. Since then, Origin has invested many billions of dollars in Australia in growing our energy business and now has a market capitalisation of \$15 billion and employs around 5,500 people.

Origin's investments and jobs growth have required capital from international partners. Our largest investment has been the Australia Pacific LNG project in Queensland that is a Joint Venture with ConocoPhillips from the US and Sinopec from China, who is also the major international customer for the project. Australia Pacific LNG also currently supplies around 30% of the East Coast domestic gas market. Australia Pacific LNG required investment of over \$25 billion to commissioning, had a direct work force of over 10,000 during construction and now has approximately 2,800 operational positions.

Most of our recent and current developments are done in partnership with other companies, with Origin underpinning the projects with offtake agreements. For example, the listed Australian company APA Group is currently constructing the \$220 million Darling Downs Solar Farm adjacent to our Darling Downs gas fired power station in Queensland. The privately owned Chinese company Goldwind is currently constructing the \$900 million Stockyard Hill windfarm for us in Victoria. The Italian company ENEL Green Energy is building the \$450 million Bungala solar farm in South Australia. These projects often proceed with international investment and create hundreds of jobs during construction.

Origin's employees have experienced wage growth higher than the national average in recent years. Around 30% of our workforce is covered by Enterprise Bargaining Agreements. Over the past three years these Agreements have delivered wage increases in the 3% to 5% range.

Origin's business plan is to continue to retire debt and then continue to grow our business and deliver value to our shareholders, many of whom are Australian 'mum and dad' shareholders (directly or through superannuation funds). We have an exciting pipeline of potential projects to deliver growth – projects that are not yet committed. These projects are all in Australia. Most of these projects will help deliver reliable and affordable energy to Australian households and businesses and others will help grow the economy through gas production for domestic consumption and LNG exports. We are not specific about the level of investment or jobs from these projects as that depends on which projects proceed and whether they are developed by us directly or through our partners. Larger projects will also require third party equity investors that are likely to be International investors.

One major project that we are progressing is the Beetaloo onshore gas project in the Northern Territory. With the Territory Government recently lifting the moratorium on hydraulic fracturing, we propose to resume exploration and appraisal early next year when permitted. We have already invested \$80 million in this project with a significant local workforce. This project, at scale, is likely to require international partners and around 1,000 employees. For any of our projects to proceed, they must be cost effective, with an appropriate return for the risk.

For the Beetaloo onshore gas project, this means the economics of the project will have to compete favourably with US onshore shale gas.

Some of the other projects we are considering are:

- The Shoalhaven pumped hydro expansion project in NSW;
- The expansion of the Quarantine gas fired power station in South Australia;
- The Ironbark coal seam gas project in Queensland; and
- Renewable projects throughout Eastern Australia that are dependent, in part, on the implementation of the National Energy Guarantee.

Company tax rate is not the only factor in these projects proceeding and attracting international partners, if required, but it is an important factor.

Yours sincerely

(signed)
Frank Calabria
Chief Executive Officer
Origin Energy