



Kate Callaghan
General Manager – Corporate Affairs

18 February 2021

Committee Secretary
Senate Economics Legislation Committee
Parliament House
CANBERRA ACT 2600

Dear Sir/Madam,

Chevron Australia ('Chevron') welcomes the opportunity to make a submission to the Committee's inquiry into the Inquiry into Offshore Petroleum and Greenhouse Gas Storage Amendment (Benefit to Australia) Bill 2020.

Summary

Australia's current petroleum titles regime has underpinned a massive surge in investment over the past decade. This investment boom is delivering a raft of benefits to the community, now and well into the future, through jobs, industry opportunities, domestic gas, local infrastructure, and tax revenues.

In Chevron's case, our Gorgon and Wheatstone projects are ideal case studies to demonstrate the long-term benefits of petroleum investment.

These benefits accrue at different stages across the life of a project.

- Over the past decade during the construction of Gorgon and Wheatstone, jobs and industry opportunities surged, with over \$60 billion spent on local content.
- Post-construction, the plants have an operating budget over \$1 billion a year, delivering high paying jobs and local contracts, with local content over 80%.
- The projects supply domestic gas to Western Australian customers, supporting local jobs throughout the State and cleaner generation of electricity.
- Over the past decade, Chevron has paid \$5.8 billion in taxes and royalties. By the mid-2020s, we expect to be paying around \$2 billion a year in taxes and royalties.
- Investment in new gas fields and major plant turnarounds will drive ongoing economic opportunities.

To achieve these benefits, Australia must attract major international investors. Few investors have the patience and capital to support LNG projects. Tens of billions of dollars must be spent prior to achieving any return. It may be decades before a project recoups its exploration and development costs, if at all. A range of risks – construction costs, plant performance, reservoir performance, supply, demand and pricing – can render a project uneconomic.

In order to encourage investors to take these long-term risks, Australia must offer stable policy settings that ensure projects have access to adequate resources over the life of a project, which may exceed fifty years.

Gorgon

Gorgon is one of the world's largest LNG projects and the largest single resource project in Australia's history at a total investment cost of \$US55 billion.

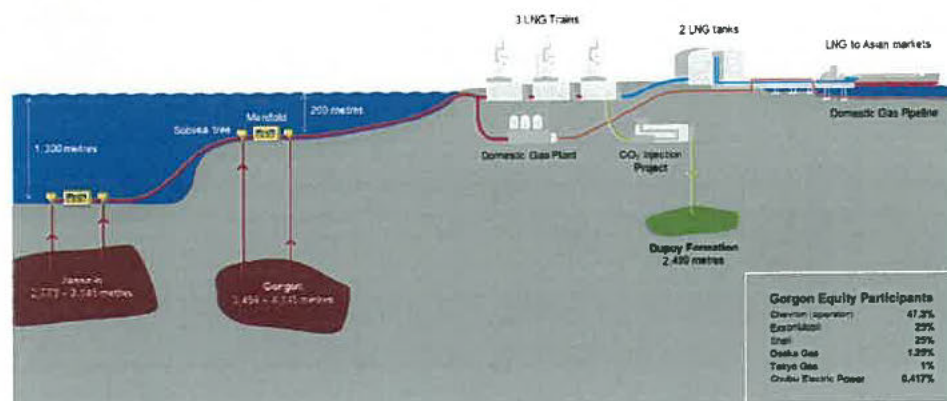
Located on Barrow Island – a Class A Nature Reserve – the Gorgon plant comprises a three-train, 15.6 million tonnes per annum ('MTPA') LNG facility and a domestic gas plant with the designed capacity to supply 300 terajoules of gas per day to Western Australia. Domestic and export gas production commenced in 2016.

Gas is currently supplied from two gas fields - the Jansz-Lo Field (130 kilometres northwest of Barrow Island in 1,350 metres of water) and the Gorgon Field (65 kilometres to the west of Barrow Island in 200 metres of water.)



The Gorgon CO₂ Injection Project is the largest of its kind in the world. It will inject between 3.4 and 4 million tonnes of reservoir CO₂ each year. This will reduce greenhouse gas emissions from the Gorgon Project by approximately 40 percent. It is expected that 100 million tonnes of CO₂ will be injected into the Dupuy Formation, under Barrow Island, over the life of the Gorgon Project. The Gorgon Project is operated by Chevron Australia and is a joint venture of Chevron (47 percent), ExxonMobil (25 percent), Shell (25 percent), Osaka Gas, Tokyo Gas and JERA.

Gorgon facility Australia's largest single resource development



Wheatstone

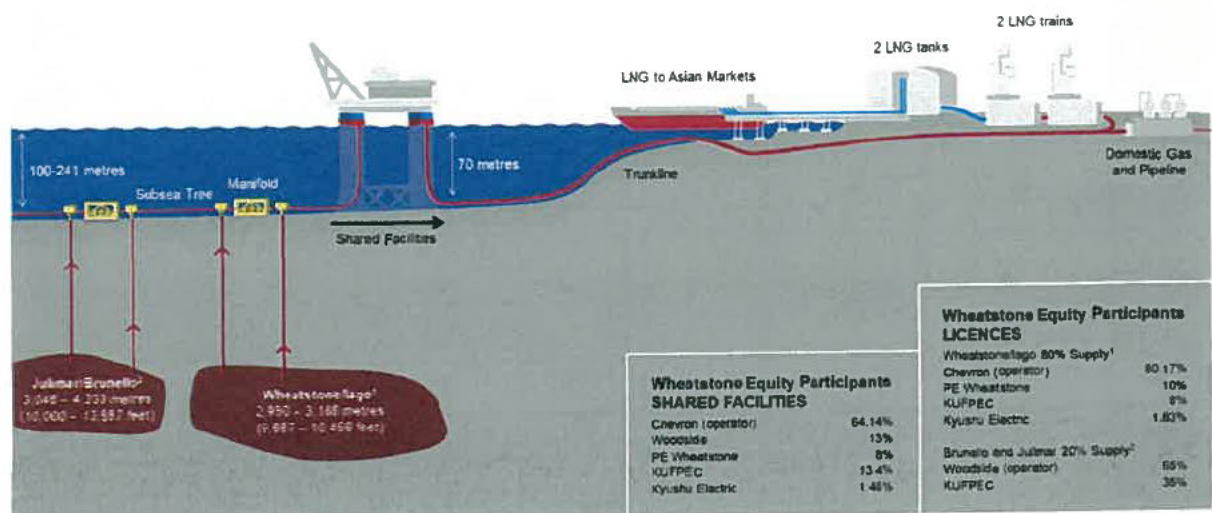
The Wheatstone LNG plant is located west of Onslow on the Pilbara coast of Western Australia. The foundation project consists of two LNG trains with a combined capacity of 8.9 MTPA, and a domestic gas plant with a capacity of 200tj/day. The project was sanctioned in late 2011, with first shipment of LNG in October 2017 and domestic gas deliveries commencing in 2019.

Wheatstone is supplied from gas fields located 225km north of Onslow, which are tied back to a large central processing platform. The total cost of the Wheatstone project is \$US34 billion.



The Wheatstone Project is a joint venture between Chevron (64 percent), Kuwait Foreign Petroleum Exploration Company (KUFPEC) (13 percent), Woodside (13 percent), and Kyushu Electric Power Company, together with PE Wheatstone Pty Ltd, part-owned by JERA.

Chevron-operated Wheatstone facility Australia's first LNG hub



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Not to scale 6

North West Shelf

Chevron is an equal one-sixth foundation participant in the North West Shelf (NWS) Project – Australia’s first LNG project. In 2019, the project celebrated 35 years of domestic gas production and 30 years of LNG cargoes to Japanese customers. The project has a track record as a safe, competitive and reliable supplier of domestic gas and LNG to Australian and Asian markets.

Collectively, the six project participants have invested in onshore and offshore oil and gas facilities totaling more than \$34 billion. It is a major producer of LNG, natural gas, liquid petroleum gas (LPG), condensate and crude oil. Since 1989, it has delivered more than 5000 LNG cargoes.

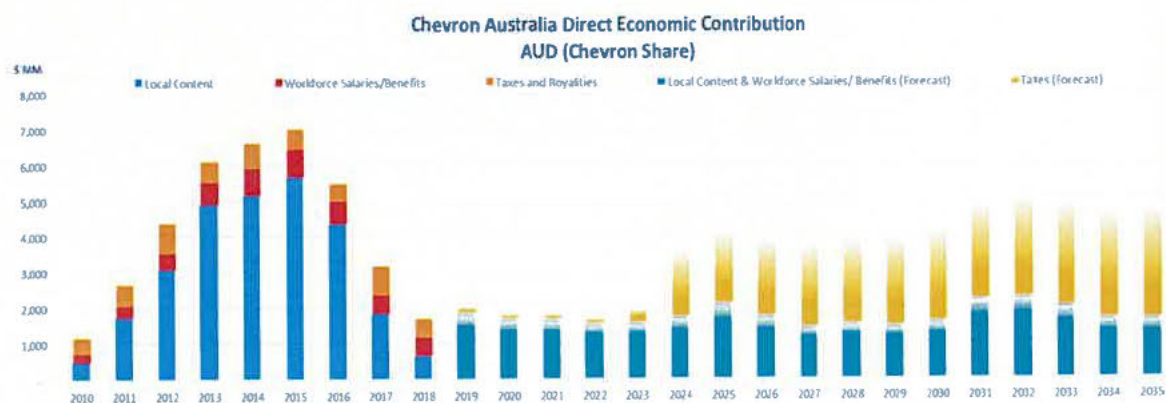
The NWS Project is a major contributor to the Western Australian economy – injecting about \$900 million annually direct into local Australian businesses. Since 2008, the project has contributed more than \$50 million to the Pilbara region by supporting projects, infrastructure and community programs.

Chevron is actively supporting NWS’s transition to a tolling facility which will allow gas to be processed from new upstream gas investments in onshore or offshore Western Australia, such as the Waitsia, Pluto and Scarborough projects.

Chevron’s economic contribution

Gas projects span multiple decades. For example, the Gorgon gas field was discovered in 1980, the Gorgon project was sanctioned in 2009, production commenced in 2016 and will operate until around 2070 – a 90-year lifespan in total.

Throughout this lifespan, many benefits flow to the community at different project stages. The graph below shows the economic contribution of Chevron, spanning the past decade during construction and looking forward to 2035. A larger version is at Attachment A.



Note that this graph shows Chevron’s share of the local content and workforce payments from Gorgon and Wheatstone. Chevron holds 47 percent of Gorgon and 64 percent of Wheatstone. Forecast taxes and royalties are sourced from Wood Mackenzie data, using Wood Mackenzie’s parameter assumptions and include taxes and royalties from all Chevron projects.

Benefits of construction

As the graph shows, the most visible economic surge is during construction. Over the past decade, Gorgon and Wheatstone have delivered:

- More than \$60 billion in Australian goods and services
- Almost 1,000 contracts awarded to Australian companies
- Almost 19,000 workers employed
- Over 90,000 direct and indirect full-time equivalent jobs created in Australia
- \$1.5 billion has been spent on exploration activities in Australia
- Almost \$300 million has been committed to community investments
- More than \$53 million has been invested into universities and research institutes to help build local academic excellence and research capability

These unprecedented benefits have been most visible in Western Australia. It is no surprise that the scale of these projects and their ongoing benefits are less apparent in eastern Australia. However, this should not diminish the direct impact in the Pilbara and in Perth, where the projects have reached across the community. For thousands of families, Gorgon and Wheatstone allowed them to buy a house, build a nest egg, learn a trade, and enjoy better local infrastructure. Local companies expanded and broadened their capabilities, skills and technology were developed and outsourced to Eastern states companies, building an ongoing legacy of an LNG hub in WA that has made positive impacts nationally.

Ongoing benefits of Gorgon and Wheatstone

The community benefits of Gorgon and Wheatstone have continued post-construction through employment, industry, local communities, domestic gas and taxation revenues.

Ongoing benefits – Employment and industry

Chevron Australia has a workforce of around 2,000 people in WA, including Perth and the Pilbara. Another 2,000 contractors support operations on Barrow Island, in Onslow and on the Wheatstone platform. These numbers increase by more than 1,000 during routine maintenance turnarounds.

Chevron's operations are also supported by a residential contractor workforce at the Dampier, Karratha and Welshpool supply bases in WA.

The operations budget for the Gorgon and Wheatstone projects is more than \$1 billion per year. Over 80% of the budget is spent in Australia on local employment and industry.

Ongoing benefits - major maintenance turnarounds

Gas plants are complex machinery which require regular overhauls to maintain reliable operations. In October 2019, Gorgon entered a planned 40+ day major maintenance turnaround that involved about 1,600 workers from 30 contractors and sub-contractors, as well as hundreds of Chevron personnel in Perth, the Dampier Supply Base and on Barrow Island. This represented a \$350 million economic injection, with 90 percent local content.

Scheduled turnarounds will be a regular part of Chevron's work program for the next thirty years. Chevron is collaborating with other gas projects to coordinate turnaround schedules, to facilitate predictable workflows for maintenance contractors and build local maintenance capacity.

Ongoing benefits – Aboriginal employment

In 2010, Chevron had 3 Aboriginal employees. By 2021, this has grown to 62 Aboriginal employees, or 3.6% of total workforce. Another 94 Aboriginal personnel work for key contractors, making up 4.6% of the contractor workforce.

Chevron has 19 Aboriginal university students completing cadetships and Chevron's Aboriginal School Scholarships provided financial support to 50 Aboriginal students in Western Australia studying at secondary school in 2020.

Ongoing benefits – domestic gas

Chevron is a major supplier of domestic gas to local customers from the Wheatstone, Gorgon and North West Shelf facilities.

At their full capacity of 500 TJ/day, the Gorgon and Wheatstone domgas facilities will have the capacity to provide around 50 percent of WA's current domgas supply. Chevron's gas powers households; key employers such as Alcoa, South 32, BHP Nickel West and Newcrest Operations; and utilities such as Alinta and Synergy.

The importance of domestic gas to the State is highlighted in the latest WA Gas Statement of Opportunities (2020), noting that WA consumes more natural gas than any other state in Australia, around 42% of Australia's total gas consumption. Chevron has a long-term commitment to the State and will provide benefits for decades to come in meeting the future energy needs underpinned by long-term gas supply agreements with local customers.

Ongoing benefits – local communities

Together with the WA Government, the Wheatstone project is making significant investments in and around Onslow to ensure the town remains a vibrant and sustainable regional community.

More than \$250 million has been contributed to social and critical infrastructure projects that are upgrading health, education and recreation services and facilities in Onslow, as well as road, power and water infrastructure.

- Opened in 2015, the Onslow Airport now boasts a terminal equipped with security screening, a jet-capable runway and community access to Wheatstone charter flights.
- The Onslow Aquatic Centre which the Wheatstone Project contributed \$7 million towards, opened in March 2017 providing a public swimming pool for the community to enjoy.
- The Wheatstone Project has contributed \$22 million to the Onslow Hospital redevelopment and \$2 million to the new St John Ambulance sub-centre.
- Fifty homes have been built in Onslow for Wheatstone's residential workforce. An additional 10 houses were funded for vital government workers, such as teachers, nurses and police.

Across Western Australia, Chevron is delivering meaningful change on a local level. For example:

- Chevron has been partnering with Telethon Speech & Hearing since 2011 to develop a best practice model of ear care health for the Pilbara, preventing middle ear disease and improving child health.
- In 2021, Chevron celebrates 15 years of partnership and collaboration with Scitech – one of Western Australia's key science, technology, engineering and mathematics

(STEM) institutions. Our partnership provides funding for some of Scitech's key outreach programs, including the Pilbara Teacher Support Program, Aboriginal Education Program, and an Onslow School robotics program.

- Our Powering Careers in Energy program invests in the young minds that will help shape Australia's energy future and aims to increase energy literacy in schools to improve students' skills and training outcomes.
- We partner with Perth Festival to bring inspiring, thought-provoking and life-enhancing cultural experiences to the people of Perth. It is the longest running international arts festival in Australia and considered WA's premier cultural event.
- Since 2010, we've been partnering with the Activ Foundation on one of Western Australia's most loved community fun runs, the Chevron City to Surf for Activ.
- Chevron is partnering with the WA Aboriginal Leadership Institute to expand their Women's Leadership program, which empowers participants to strengthen their families and communities through leadership.
- Chevron is the inaugural National Diversity and Inclusion Partner for the Australian of the Year Awards.
- Chevron recently donated AUD \$1.2 million to the Perth bushfires to assist in the recovery efforts.

Ongoing benefits - taxation

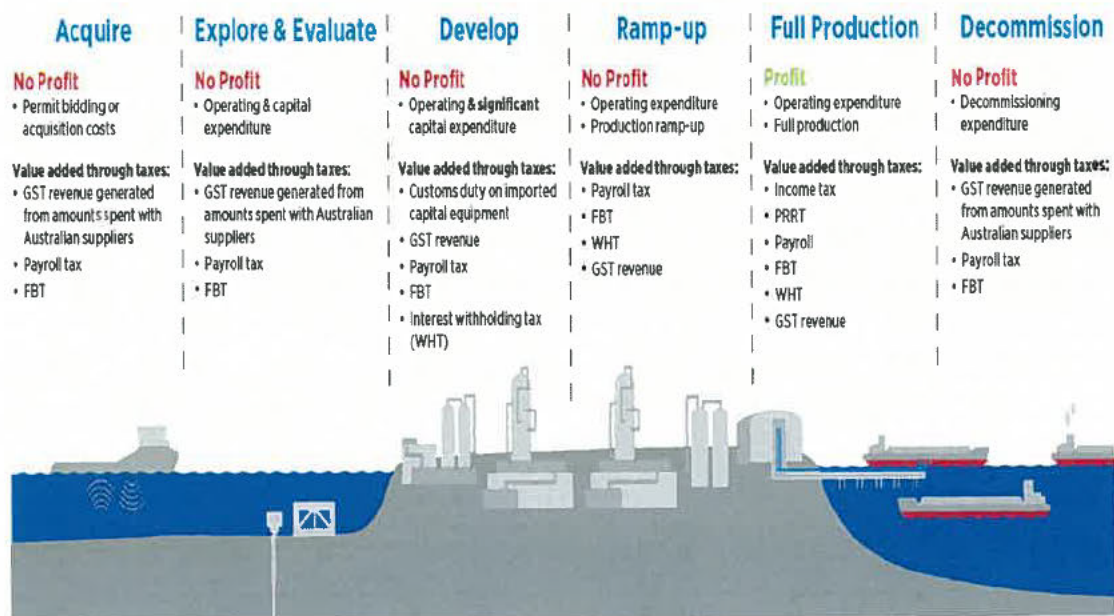
Chevron has paid \$5.8 billion in taxes over the past decade. By the mid-2020s, we expect to be paying around \$2 billion a year in federal and state taxes and royalties.

Chevron taxes paid 2009- 2018	
Royalties	\$2,144,000,000
Income Tax	\$1,154,000,000
Excise	\$1,043,000,000
Interest Withholding Tax	\$694,000,000
Fringe Benefits Tax	\$361,000,000
Payroll Tax	\$382,000,000
Other Withholding Taxes	\$24,000,000
GST - Denied Input Tax Credits	\$7,000,000
Total	\$5,809,000,000

Major oil and gas projects operate at a loss for much of their economic lives, particularly in the investment and ramp-up stages. Chevron has invested billions of dollars upfront exploring offshore WA and developing Gorgon and Wheatstone – on seismic surveys, exploration drilling, and the construction of the subsea and LNG plant infrastructure. During this period, the projects have no revenue, but only costs.

Although the absence of profit naturally limits income taxes and PRRT from Gorgon and Wheatstone, a range of other taxes were paid during construction, as well as income tax and royalties from the North West Shelf and other operations.

To demonstrate these points graphically, the table overleaf sets out the various stages of a project, and the types of taxes payable.



As Gorgon and Wheatstone have moved from the Ramp-up to Full Production phases, income tax and ultimately PRRT become payable. On current forecasts, by the mid-2020s, Chevron expects to be paying around \$2 billion a year in federal and state taxes and royalties. These taxes will increase further as capital costs are recouped.

This chart also demonstrates the fallacy of comparing tax payable by Australian LNG projects to those in Qatar or elsewhere. Those countries have long-established petroleum facilities, well into full production, and their capital costs have largely been recovered. Whereas in Australia, the development phase has only recently concluded, and the total capital cost for Gorgon and Wheatstone is many years away from being recouped.¹

Future benefits

In addition to the benefits derived from construction and operations, further benefits will accrue from new investments to maintain and expand Gorgon and Wheatstone.

Gorgon Stage 2

Despite the challenges with the pandemic, Chevron is currently executing the \$5 billion Gorgon Stage 2 Project which expands the subsea gas gathering network required to maintain long-term gas supply. At present, the project is installing subsea infrastructure and pipelines, providing work for around 800 people in the Pilbara.

Jansz-Lo Compression Project (JIC)

Chevron has entered the engineering and design phase for the Jansz-Lo Compression Project, which uses subsea compression technology to enhance recovery of the Jansz-Lo field – an Australian first for this technology.

¹ Further details are available at [tax-transparency-fact-sheet.pdf \(chevron.com\)](https://www.chevron.com/tax-transparency-fact-sheet.pdf)

If the project is sanctioned, it would represent an investment of \$11-\$12 billion, with delivery over the next 10 years. The Australian Industry Participation Plan identifies 26 scopes of work for which local industry can compete²

Perth Headquarters

Work has commenced on a new Perth headquarters building being built by Brookfield at Perth's Elizabeth Quay. During development and construction around 1,000 people will be employed onsite. Completion is expected in mid-2023.

Conclusion

As the examples of Gorgon and Wheatstone clearly prove, the current offshore petroleum regime is delivering major benefits to the Australian community. The cumulative Chevron contribution in local content, local wages and taxes from 2010 to 2035 will be over \$90 billion. On top of Chevron's contribution, our joint venture partners make additional contributions from their project participation.

This investment has been encouraged by a stable legislative framework and consistent regulatory decision-making. Any changes in legislation or regulatory practice which put at risk long-term access to resources will diminish the many community benefits of ongoing petroleum investment.

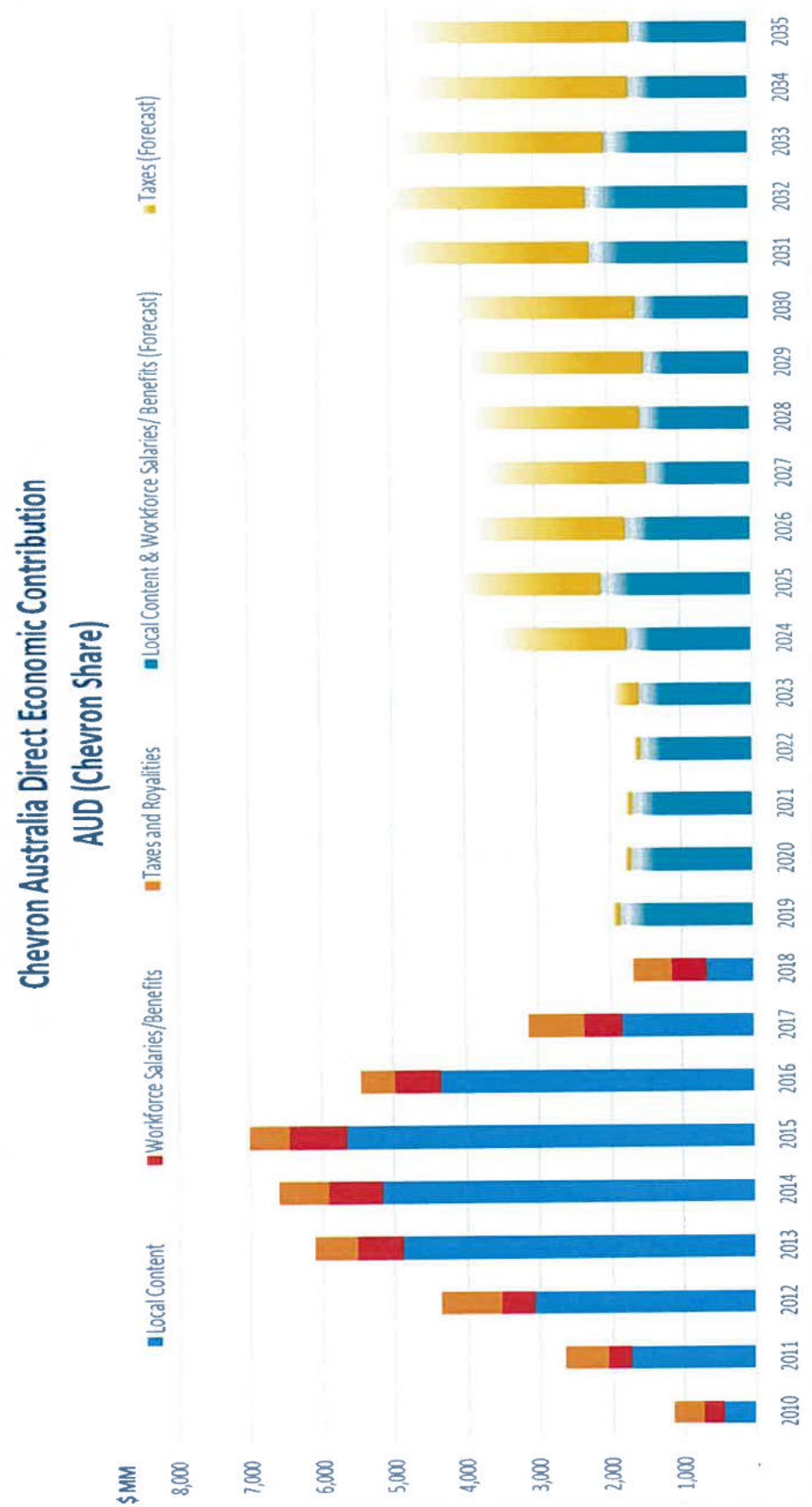
Yours sincerely,



Kate Callaghan
General Manager, Corporate Affairs

² https://www.industry.gov.au/sites/default/files/aip/chevron_jansz-io_compression_project_summary_25jul18.pdf

Attachment A



Note that this graph shows Chevron's share of the local content and workforce payments from Gorgon and Wheatstone. Chevron holds 47 percent of Gorgon and 64 percent of Wheatstone. Forecast taxes and royalties are sourced from Wood Mackenzie data, using Wood Mackenzie's parameter assumptions and include taxes and royalties from all Chevron projects.