

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 Andrew Bragg

**Woodside Energy Ltd.**

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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 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</sup> It is also expected to generate more than 3,000 construction phase jobs in WA.<sup>5</sup>

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<sup>1</sup> [Petroleum Resource Rent Tax Review \(treasury.gov.au\) \(p.13\)](https://www.treasury.gov.au/petroleum-resource-rent-tax-review)

<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.

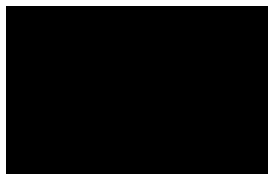
<sup>4</sup> Further information on Woodside’s climate strategy and disclosures can be accessed via: [Climate \(woodside.com\)](https://www.woodside.com/climate)

<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)

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

## APPENDIX 1 – RESPONSES TO QUESTIONS ON NOTICE

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

Woodside continues to see natural gas as part of our low cost, lower carbon, profitable and resilient energy portfolio.

Long-term uses of gas include:<sup>6</sup>

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

World energy markets are currently extremely volatile as surging energy prices impact economic conditions and disrupt customers' expectations for secure, affordable, and reliable energy. Heightened geopolitical tension, rerouting of energy flows and an uncertain energy transition continue to contribute to a period of volatile energy prices.<sup>7</sup>

According to Wood Mackenzie, global LNG demand is expected to grow by more than 60% in volume between 2021 and 2040<sup>8</sup>. Wood Mackenzie outlined that market growth is largely driven across Asian and European nations, phasing out Russian natural gas supply. This is supported by previous International Energy Agency reports, which have outlined that an estimated \$365 billion of upstream oil and gas investment will be needed every year to 2030, and \$171 billion every year thereafter to 2050.<sup>9</sup>

Australia has an opportunity to be a regional and global leader in the energy transition but must get the policy settings right and embrace the opportunities a strong Australian gas industry presents. If we don't get it right, there is a real risk energy development will stall and Australia will miss out on the benefits.

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

Woodside has not done a direct comparative study between Australia or Canada, but we have noted that the US Inflation Reduction Act (IRA) has accelerated investment in energy projects in the US. We believe this is due to the IRA focusing on rewarding 'quick to market' opportunities, the fact it considers energy policy across the entire economy and focuses on carbon reduction – irrespective of the carbon source or technology.

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

- 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??*

### *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?*

- 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?*

<sup>6</sup> Woodside Climate Transition Action Plan (CTAP): [climate-transition-action-plan-and-2023-progress-report.pdf \(woodside.com\)](#) (page 46).

<sup>7</sup> [Woodside Submission to the Future Gas Strategy](#) (page 6).

<sup>8</sup> <https://www.woodmac.com/news/opinion/strong-gas-demand-raises-questions-overemissions/#:~:text=Those%20economic%20considerations%2C%20similar%20in%20other%20emerging%20economies%2C,to%20abo ut%20857%20billion%20cubic%20metres%20in%202040.>

<sup>9</sup> IEA 2021. World Energy Outlook 2021. All rights reserved. Table 6.1, page 278.

- 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?*

## Policy Positions

As Woodside, industry and a range of independent authorities have made clear, bringing on new gas supply is the key to putting sustained downward pressure on domestic prices and ensuring supply security for manufacturers, power generators and households. That is why we continue to advocate for policies that incentivise investment in new gas supply and for stable fiscal and regulatory outcomes.

Woodside has previously outlined the need for<sup>10</sup>:

- A clear statement on the role of gas in Australia and Australian gas use internationally due to its flexibility, scalability, dependability, and emissions profile when compared to other fossil fuel sources.
- A demonstration of Australia’s leadership in the energy transition and ability to responsibly develop gas projects in the national interest.
- Recognition that gas positively contributes to the community as a fuel source, feedstock for products and equipment and to the economy. It also supports thousands of workers and businesses including the Australian manufacturing industry.
- Emphasis that carbon capture and storage (CCS) is an opportunity for Australia to reduce the emissions intensity of its gas, other industries and support regional decarbonisation.
- Prioritisation of policy reforms that incentivise lowest cost abatement from heavy emitting industries and facilities.

## Offshore regulatory reform

To address the current ambiguity in the consultation process for offshore oil and gas approvals, the Government has committed to updating the offshore regulatory framework. This is required to address the vocal minority who are aiming to shut down the industry and the jobs and livelihoods that go with it by using protest action and the courts to create uncertainty and destabilise regulatory processes to frustrate existing and new projects.<sup>11</sup> This is a position supported by Australian Energy Producers who said the following in relation to the decision of the Federal Court of Australia in the case of *Munkara v Santos NA Barossa Pty Ltd (No.3)*: *“Reform of the offshore approvals system is urgently needed to put an end to the lawfare as activists seek to exploit the ambiguities in the regulations.”*<sup>12</sup>

Woodside acknowledges the support of the Coalition to reform offshore gas consultation regulations and secure more gas supply.

## Tax amendments

We are also encouraging the Government to work with the Coalition to ensure passage of the PRRT amendments in Schedule 5 of Treasury Laws Amendment (Tax Accountability and Fairness) Bill 2023. It is our view, the proposed PRRT changes will provide greater fiscal certainty

<sup>10</sup> [Woodside Submission to the Future Gas Strategy](#)

<sup>11</sup> Refer to: [meg-o’neill-national-press-club-speech-19-april-2023.pdf \(woodside.com\)](#)

<sup>12</sup> Australian Energy Producers media release: Green light for Barossa Project a win for Australia and our region ([Green light for Barossa Project a win for Australia and our region | Australian Energy Producers](#))

for the oil and gas industry to consider the future investment required to, for example, maintain both domestic and regional gas supply security for our customers.

### **Environmental regulatory reform**

Woodside supports the need for reform, and the need to improve environmental outcomes for Australia, but it needs to be done in way that better protects the environment at the same time as providing certainty to project proponents, de-risking investment and promoting sustainable development. In this regard, we have consistently encouraged Government to be more open, transparent and complete in its consultation process related to the *Environment Protection and Biodiversity Conservation Act 1999* (Cth) Act reforms. Woodside has also advocated that any reforms should be fit-for-purpose and include direct industry engagement.

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)?*

The timing and amount of PRRT any project will pay depends on several variable factors including:

- oil prices;
- operating costs; and
- production rates.

Woodside is currently the largest payer of PRRT and would expect to be a significant contributor towards the A\$2.4 billion of PRRT being forecast by the Government over the forward estimates. Over the lifecycle of a project we expect the PRRT amendments to bring forward PRRT payments to Government.

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?*

Under the amending legislation, Woodside can be expected to pay increased PRRT over the forward estimates.

The next wave of investment in LNG projects, being backfill to existing infrastructure, have lower capital costs. These projects are likely to pay PRRT within the time prescribed by the amending legislation.

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?*

Energy producers in Australia are subject to a complex mix of taxes. This includes company tax (30% on overall company taxable profits), PRRT (40% on taxable profits of offshore oil and gas projects in Australia), Federal Royalties and Federal Excise. In addition, as set out above, the timing and amount of PRRT any project will pay depends on several variable factors.

Publishing such information may result in commercially sensitive information being revealed or result in broader misinterpretation.