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26 May 2017

Mr Mark Fitt
Committee Secretary
Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Mr Fitt

Senate Economics References Committee - Responses to Questions on Notice

Please find attached responses to questions on notice following our appearance before the Committee on 28 April 2017.

We have also included responses to the additional written questions on notice which were asked to all oil and gas companies.

Please contact me if you would like further information.

Yours sincerely



Derek Floreani
General Manager, Finance & Compliance

APPENDIX I – Responses to Questions on Notice

Question 1- Key assumptions for PRRT Payments

Please refer to the table below which outlines the key assumptions for both the 2029 and Mid-2030’s PRRT payable dates:

Key Assumption	2029 PRRT Payable Date	Mid 2030’s PRRT Payable Date																														
<p>Future Growth Chevron Australia has the largest holding of natural gas resources in Australia. Since 2009, Chevron has made over 25 new gas discoveries off the north-west coast of Western Australian.</p> <p>The large resource holding means that Chevron Australia has a portfolio of future growth opportunities. It is a key assumption that some of these projects will proceed to development and production.</p> <p>The timing of Final Investment Decision (FID) for the future growth opportunities impacts when PRRT will be paid and the quantum.</p>	<p>An assumption which impacts the 2029 PRRT payable date is when the Final Investment Decision (FID) of these projects will be made.</p> <p>This date is based on the assumption that FID will be early to mid-2020’s.</p>	<p>An assumption which impacts the mid 2030’s PRRT payable date is when the Final Investment Decision (FID) of these projects will be made.</p> <p>This date is based on the assumption that FID will be mid to late 2020’s.</p>																														
<p>Price Expectations</p>	<p>We have used Wood Mackenzie’s Q4 2016 high price deck, which is as follows:</p> <table border="1" data-bbox="564 1543 1019 1626"> <thead> <tr> <th colspan="5">Brent – US\$ per bbl</th> </tr> <tr> <th>2016</th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>48.00</td> <td>70.40</td> <td>73.81</td> <td>85.94</td> <td>97.42</td> </tr> </tbody> </table> <p>“Source: Wood Mackenzie Q4 2016 Global Economic Model High & Mid-price Assumption”</p> <p>Prices are in nominal terms and escalated at 2.0% thereafter.</p> <p><i>This information is provided for the purpose of the PRRT Senate Economics Reference Committee only and contains forward looking statement. No reliance should be placed upon it by any other person.</i></p>	Brent – US\$ per bbl					2016	2017	2018	2019	2020	48.00	70.40	73.81	85.94	97.42	<p>We have used Wood Mackenzie’s Q4 2016 mid-price deck, which is as follows:</p> <table border="1" data-bbox="1048 1543 1503 1626"> <thead> <tr> <th colspan="5">Brent – US\$ per bbl</th> </tr> <tr> <th>2016</th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>43.00</td> <td>50.00</td> <td>53.00</td> <td>64.72</td> <td>75.77</td> </tr> </tbody> </table> <p>“Source: Wood Mackenzie Q4 2016 Global Economic Model High & Mid-price Assumption”</p> <p>Prices are in nominal terms and escalated at 2.0% thereafter.</p> <p><i>This information is provided for the purpose of the PRRT Senate Economics Reference Committee only and contains forward looking statement. No reliance should be placed upon it by any other person.</i></p>	Brent – US\$ per bbl					2016	2017	2018	2019	2020	43.00	50.00	53.00	64.72	75.77
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Question 2 – Time period of PRRT Payments

PRRT payments are estimated to start during the period 2029 to the mid-2030's and continue until the current estimated completion of the projects, the latest of which is estimated to be 2062.

Question 3 – Expected PRRT Payments broken down by Project

The breakdown of PRRT to be paid by each Project is as follows:

Project	Nominal Value AUD \$Billions
Gorgon	Up to 67
Wheatstone*	Up to 14
Future Growth Projects	Up to 59
Total	140

*Wheatstone is currently estimated to cease production in the early-mid 2040's.

Question 4 – Taxes and Royalties Paid Table

Please see below table which outlines that since 2009, Chevron Australia has paid over \$4.5billion of taxes and royalties:

Chevron ABU Taxes and Royalties Paid - 2009 to 2016									
Description	Year Ended 31 Dec. 2009	Year Ended 31 Dec. 2010	Year Ended 31 Dec. 2011	Year Ended 31 Dec. 2012	Year Ended 31 Dec. 2013	Year Ended 31 Dec. 2014	Year Ended 31 Dec. 2015	Year Ended 31 Dec. 2016	Total
Income Tax	-	-	96,956,218	287,568,575	-	-	-	NOT YET LODGED	384,524,793
Fringe Benefits Tax	13,386,384	14,435,627	26,263,732	22,919,282	35,724,920	76,574,626	63,628,694	57,359,469	310,292,734
Royalties	158,960,208	255,878,310	245,664,980	255,484,712	259,056,776	276,113,691	171,538,913	128,033,412	1,750,731,002
Excise	174,266,496	116,391,411	140,908,603	137,764,767	130,247,021	109,651,414	62,351,055	56,255,110	927,835,877
Payroll Tax	14,317,349	16,735,076	23,567,839	33,588,307	41,131,258	57,000,587	59,004,155	49,895,294	295,239,864
Interest Withholding Tax	5,287,776	12,528,012	56,737,914	86,527,818	112,330,980	162,194,917	199,395,364	193,112,231	828,115,011
Foreign Resident Withholding Tax	-	-	-	2,418,696	2,150,282	4,208,512	4,349,719	260,488	13,387,697
Royalty Withholding Tax	-	-	3,127,993	100,258	67,877	74,936	1,205,934	1,051,450	5,628,447
GST - Denied Input Tax Credits	-	-	-	-	192,986	1,307,157	359,429	4,443,847	6,303,420
Total	366,218,213	415,968,435	593,227,278	826,372,417	580,902,099	687,125,839	561,833,264	490,411,300	4,522,058,845

Question 5 – Effective Tax Rate

Chevron Australia's corporate tax rate (not including royalties) has been calculated using the following formula:

$$\frac{\text{Income Tax Paid}}{\text{Accounting Profit for the Income Tax Consolidated Group}}$$

This results in the following effective corporate tax rate over the last seven years:

Year Ended 31 December 2009	Year Ended 31 December 2010	Year Ended 31 December 2011	Year Ended 31 December 2012	Year Ended 31 December 2013	Year Ended 31 December 2014	Year Ended 31 December 2015
0%	0%	7%	8%	0%	0%	0%

The above effective tax rates are consistent with the life cycle of our projects. Corporate income tax is calculated on profit and not revenue. The Gorgon Project has only just started deriving revenue and the Wheatstone Project has not yet started production.

Please note that the 31 December 2016 Income Tax Return is not yet due for lodgment.

Question 6 – ACIL Allen report

In 2015, ACIL Allen was commissioned to undertake an analysis of Chevron's recent and forecast economic contribution to Australia.

ACIL Allen forecast that total taxes (direct and indirect) and royalties to be paid by the projects in which Chevron has invested – Gorgon, Wheatstone, North West Shelf – and Chevron's Australian Business Unit total \$355 billion, consisting of \$338 billion in federal taxes and royalties and \$17 billion in state taxes and royalties. These numbers did not include an estimation of PRRT.

Additional Written Questions on Notice – Oil and Gas Companies – received on 18 May 2017

Question 1 - Has your company had any discussions with the Australian Taxation Office (ATO) regarding related party financing arrangements?

Yes. Chevron Australia continues to hold discussions with the ATO regarding related party financing arrangements.

Question 2 - Is your company in agreement with the ATO regarding the pricing of related party loans and other related party financing arrangements? If your company is not in agreement, what is the difference between your company's assessment and the ATO's assessment of the value of tax in dispute?

Chevron Australia and the ATO disagree on how the law applies to determine the interest rate to apply to Chevron Australia's financing arrangements. The total difference in primary tax on all years currently in dispute is \$1.062 billion.

Question 3 – The ATO's written submission to this inquiry (submission 139) notes the importance of related party financing to the oil and gas industry. On page 19, paragraph 76, the ATO notes that it has issued amended assessments to some taxpayers, and is having settlement discussion with others. Has your company received an amended assessment from the ATO, or is your company involved in settlement discussions with the ATO, as a result of their compliance activity in respect of related party financing?

Chevron Australia has received an amended assessment from the ATO relating to related party financing arrangements.

Chevron Australia continues to hold discussions with the ATO regarding related party financing arrangements.

Question 4 - Has your company had any discussions with the ATO regarding thin capitalisation limits?

Yes. Chevron Australia through our engagement in the Pre-lodgment Compliance Review process has had discussions with the ATO regarding thin capitalisation limits.

Question 5 - Is your company in agreement with the ATO regarding thin capitalisation limits? If your company is not in agreement, what is the difference between your company's assessment and the ATO's assessment of the value of tax in dispute?

Chevron Australia has not been informed by the ATO as to what its view is regarding thin capitalisation limits.