24 April 2024

Chevron Australia responses to the questions on notice received from Senator McKim 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. **Can Chevron please provide a copy of the agenda for the 10 March 2023 meeting?**

The agenda to this meeting was provided to the Senate in response to the motion moved by Senator Nick McKim, agreed to by the Senate on 15 June 2023, requiring the Minister representing the Treasurer to table documents relating to petroleum resource rent tax (order number 246).

2. **In Treasury minutes of the 10 March meeting, it says industry claimed that a netback only approach would not provide an appropriate return to capital for the downstream part of the business. Given that the PRRT is a super profits tax, do your financiers require you to make super profits?**

Investments compete for capital on a global basis based on the returns they offer. In determining those returns, a range of cash outflows are considered, one of which is PRRT expected to be paid. References to the appropriate return on capital for the downstream part of the business relate to recognising the integrated nature of LNG projects. That is, whilst recognising that there is significant value in the resource, there is also significant value in the downstream processing into LNG. Without the downstream processing, the value of the gas would be akin to the value of domestic gas. This is why the current methodology which splits residual profits equally between the upstream and downstream is a better reflection of the integrated nature of LNG projects than a netback method which does not.

3. **The consultation materials show that Treasury were going to lift the rate to allow a return on capital of 7% plus the long term bond rate. Is this not a sufficient rate of return for your financiers and investors? What else do they require?**

The residual pricing method already provides for a return on capital of 7% plus the long-term bond rate. This return is simply a component of the calculation of the RPM price and is incorporated into *both* the upstream and downstream components of the calculation. It is a recognition that both the hypothetical upstream seller and hypothetical downstream buyer would incorporate a return on their capital costs in considering the minimum and maximum price respectively that they would be willing to accept in negotiating a hypothetical price for the gas at the taxing point.

4. **According to table 8.1 of the PRRT report to the Treasurer, the deductions cap raises more revenue under a central and low price scenario. Why does Chevron prefer this model over a netback only or modified residual pricing model?**

We are not privy to the modelling undertaken by the Treasury, so this is a question best directed to them.

We do not believe changes to the PRRT are necessary because the prevailing settings are working as intended and Chevron was always forecast to pay PRRT once it had recovered its initial investment on its projects in WA. In terms of the final decision by government on how to reform the PRRT, the Government was clear a change would be made, and these reforms mean the end of uncertainty over potential PRRT changes since the Callaghan Review was released in 2017. We participated in the government's consultation process to provide our feedback on potential consequences of the proposed reforms 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.