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Committee Secretary
Standing Committee on Economics
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Dear Sir or Madam

INQUIRY INTO IMPEDIMENTS TO BUSINESS INVESTMENT

Thank you for the opportunity to provide a submission to the House of Representative's Standing Committee on Economics, for consideration in its Inquiry into impediments to business investment ('the Inquiry'). In this submission we briefly address each item of the Terms of Reference.

By way of introduction, Woodside is Australia's largest independent oil and gas company. Our producing assets include the landmark North West Shelf (NWS) Project, Pluto LNG and Wheatstone LNG. As Australia's leading LNG operator, we produced 7% of global LNG supply, and operate a fleet of floating production storage and offloading (FPSO) facilities. In 2017, 36% of the domestic gas supplied in Western Australia was produced through Woodside-operated facilities. We paid \$797 million in Commonwealth and State taxes. 98% of our 3,500 employees live here, and thousands of our contractors live here too. Last year we paid over \$1 billion of fully franked dividends.

We are pursuing plans for a fresh wave of investments in natural gas for domestic and export markets. By expanding existing infrastructure, we intend to ensure Australian resources are developed despite intense global competition. Having lifted our stake in the Scarborough Gas Field off WA to 75%, we plan to develop it through our Pluto LNG facility, where our ownership is 90%, and which we plan to expand. We also plan, with joint venture partners, to pipe gas from the Browse fields 900km to Karratha to fill spare capacity at the North West Shelf's Gas Plant, extending the life of that jewel in Australia's industrial crown for 25 years or more. We estimate that investments will total more than \$30 billion.

A globally competitive fiscal and regulatory regime is essential to our plans, and this has guided our input into the Inquiry.

The interaction between regulatory frameworks across all levels of Government and how the cumulative regulatory burden can be reduced to support greater business investment

Progress has been made in removing duplication between state and federal layers of government, for example the introduction of a "one stop shop" approach to environmental assessments. This is important, and should be further pursued. Effective regulation is not just about the nature of the regulatory decision: it is also about the time taken, and complexity of assessment, to arrive at the decision; and the extent to which processes and outcomes are stable and predictable over time whilst flexible enough to keep pace with best practice.

A practical example is provided by the proposal to develop the Browse Gas Fields (straddling both State and Commonwealth jurisdictions in the case of one field), through a Pipeline (in the Commonwealth Marine Area) to the Karratha Gas Plant (onshore in the State of Western Australia). Each element is subject to various environmental, safety and economic regulations, and therefore has scope for delay and uncertainty in the absence of a streamlined, or at least centrally coordinated, approvals approach between the various agencies within and across jurisdictions.

The impact of innovation policies, at the Commonwealth and State government levels, on business investment and the role of innovation policies in encouraging greater business investment, having regard to approaches taken in other countries

Woodside believes that technology and innovation are essential to unlocking new markets, reducing costs, and ensuring our long term sustainability. We work by building collaborations with research institutions, universities, start-ups, entrepreneurs and adjacent leading industries.

Government should further investigate and implement ways to encourage collaboration and cross industry initiatives while looking for new ways to incentivise research and development of technology. Innovation is inherently global, so we need to ensure we can attract talented people and companies to Australia.

- Recent proposals to allow more flexibility in Visas in this field are welcome. By way of example, Woodside has a partnership in robotics with NASA – and has been rotating secondees on three month visas. Longer duration visas would allow us to attract talent for longer, so that amongst other things it can help nurture and teach a home-grown talent pipeline.
- Similarly, state and federal government should examine how they can encourage global technology leaders to establish offices in Australia, rather than remote servicing. This might imply:
 - fiscal incentives; and/or
 - a competitive regulatory regime (Australia's experience with risk-based regulation may be a natural competitive advantage over prescriptive regimes in fast-moving innovation); and/or
 - ensuring that companies can collaborate and agglomerate at scale in order to provide an attractive proposition to attract technology companies to establish here.
- Many gas and energy new technologies of the "step change" type, will especially benefit from government direct grants that match industry efforts to build demonstration and pilot plants in close to field conditions. These plants are the essential way to reduce the risk of scaling new technologies up to full adoption.

The role that taxation policy, at the Commonwealth and State government levels, can have on the encouragement of new business investment

Woodside paid \$797m in taxes and royalties to the Commonwealth and State Governments in 2017, some \$154m of them to the State of Western Australia. In the past eighteen months we have made numerous submissions on the Petroleum Resource Rent Tax, the Corporate Tax Avoidance Inquiry, and in relation to corporate tax cuts.

We encourage the Committee to observe that, insofar as it impacts business investment, taxation makes a contribution to determining Australia's competitiveness. The absolute rate of taxation is of course important to a given project's economics, but it is the relative rate that contributes to that project's competitiveness versus other international opportunities. Competitiveness is also affected by stability, and the confidence that the fiscal regime that prevails at the point of investment decision is the one that will substantially endure. Capital is scarce, so it flows to the most competitive opportunities, and in an industry like oil and gas the fiscal regime takes its place alongside technology, geological fundamentals and labour costs as one of the significant determinants of competitiveness. We can do nothing to alter geological fundamentals, very little to affect labour costs within desirable limits, and technology is mobile: so taxation is a critical variable for governments to encourage Australian competitiveness.

The role that energy policies, at the Commonwealth and State government levels, can have on the encouragement of new business investment

For energy consumers, energy needs to be reliable and available at a price that is compatible with their own ability to pay. For energy producers, energy policy needs to create an attractive market that allows investments to be made. In the short run these two interests may appear to be in conflict, whereas in the long run they are clearly aligned: the best way to ensure a reliable and competitively priced supply of energy is to ensure that there is ongoing and adequate investment in energy production. The development of stable, enduring (and by implication bipartisan) energy and climate change policy in Australia is highly desirable. I attach for the Committee's interest Woodside's recent submissions in relation to the National Energy Guarantee and the Safeguard Mechanism of the Emissions Reduction Fund.

The impact of supplier payment times, including by governments, on business investment for small to medium enterprises

For the Committee's interest, we attach a 2017 submission made by Woodside on this topic to the Australian Small Business and Family Enterprise Ombudsman.

Yours faithfully


Sandra McInnes
Vice President, Corporate Affairs

Attached:

Woodside submission on National Energy Guarantee
Woodside submission on Safeguard Mechanism
Woodside submission on Payment Times and Practices