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Enduring industry contribution to benefit future generations of Australians

Statement by APPEA Chief Executive Malcolm Roberts

The increased focus being placed on all sectors of the economy in the context of tax reform and corporate Australia's contribution to our overall budgetary position raises important issues that must be viewed on a factual basis, not through an ideological lens. A case study at hand is Australia's oil and gas sector.

The oil and gas industry has been successfully operating in Australia for more than five decades. During this period, it is estimated that in today's dollars, the industry has paid more than \$250 billion to governments through resources charges and company tax. As would be expected, payments each year have fluctuated through a combination of factors, including the level of production, prices, and industry expenditure on exploration and construction activity.

The petroleum resource rent tax (PRRT) is a good case study of a tax that has been operating successfully since the 1980s. It remains a global benchmark for a profits-based type regime. It has been specifically designed to encourage industry investment by being sensitive to the types of factors outlined above (prices, costs and production). Importantly, it has provided a stable framework that has underpinned investment in the industry over many years.

There are several ways to measure the industry's overall tax contribution; one approach is by examining the amount of tax paid as a percentage of pre-tax profit. Over the last decade, the level of tax payments on average made by the industry (resource charges and company tax) has been around 50% of pre-tax profit per year. This has been a consistent figure, indicating that the taxes are operating as intended.

The industry is in the midst of an exciting growth phase. Australia will shortly become a world leader in the supply of natural gas to many nations around the world, while at the same time ensuring Australian users and households have reliable supplies of energy.

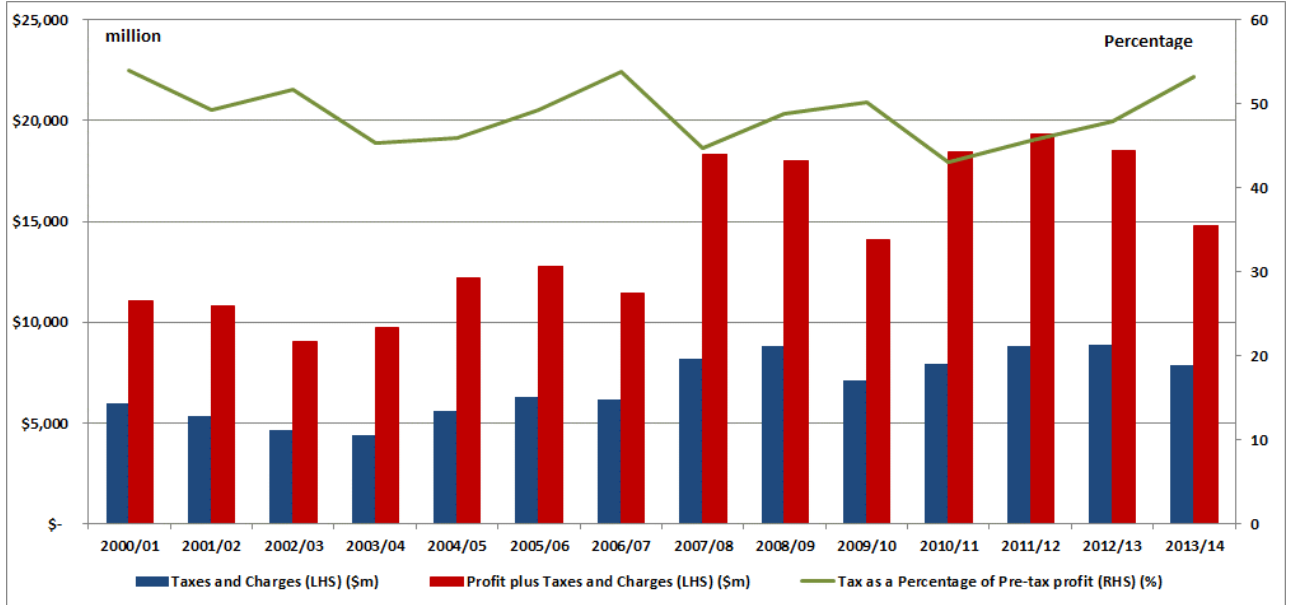
This growth has seen hundreds of billions invested in new projects. Indeed, the industry has invested more than twice the amount it has made in profits over the last three decades. Many of these projects will require extended periods before they become profitable, but they demonstrate the industry's commitment to investing in Australia.

By any measure, these new age investments will provide massive benefits to future generations of Australians. They represent legacy projects that have consistently received bipartisan political support. While commodity prices will rise and fall, it is essential that debates around tax contributions and tax reform recognise the successes of the past that have been based on sound tax policy settings that respond to the objectives of the community and investors.

Media contact: Chris Ward 0408 033 422 or cward@appea.com.au

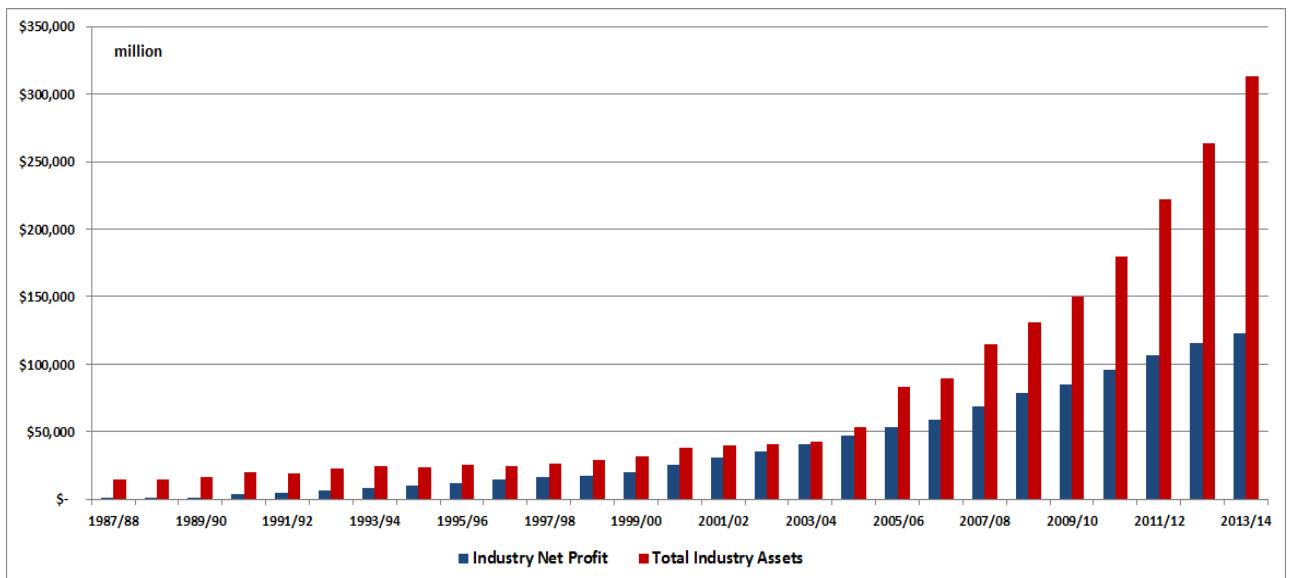


Chart 1: Estimated Oil and Gas Tax Payments and Industry Profit (Before Tax)



Source: APPEA

Chart 2: Industry (Cumulative) Profits and Investment Value



Source: APPEA