Senate Standing Committee on Economics
ANSWERS TO QUESTIONS ON NOTICE
Department of Industry, Science, Energy and Resources
Inquiry into Australia's Oil and Gas Reserves
20 August 2021

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, SCIENCE, ENERGY AND RESOURCES

TOPIC: QoN 2: Projected return on sale of resources

REFERENCE: Question on Notice (Hansard, 20 August 2021, Page 5)

QUESTION No.: 2

Senator PATRICK: Do you calculate a projected return on sale of resources from a given field or tenement as part of your approvals, analysis or ongoing watching of a project?

Mr Trotman: I think I might take that on notice. I might ask Ms Illman if she's able to answer that question; otherwise we might need to take it on notice.

Ms Illman: I think we'll take that on notice.

Senator PATRICK: Seriously, these are fundamental metrics. I'm getting the feeling the department is asleep at the wheel here. I'll go back to the PRRT and the Callaghan review. The Senate looked at this and found that the arrangements surrounding the PRRT are too generous in respect of the oil and gas industry, particularly when you look at how we compare overseas. What I see—and the evidence you've just given, Mr Trotman—is that you look at these things and you say: 'You know what? They're doing the right thing in terms making an investment. They write that off over time; the PRRT comes late.' That doesn't go to my fundamental concern, and that is that we start up these projects and effectively give the oil, the gas companies' profit, away. Sure, I accept there are jobs, but we actually get very little in return for our resource, for the Australian taxpayers' resource. I'd like to get an understanding of how the department analyses each project—and maybe you can provide an analysis of a project—to be able to say, 'You know what? The Australian government should give this the tick.' Sometimes you're better off simply leaving the resource in the ground, if we're not getting a return and only the corporations benefit from it. That's what I'm trying to get to, in my line of questioning: how do you determine that we are getting the maximum benefit possible? If you're not measuring some of these things, I put it to you that you have no idea and, in fact, no-one's looking at this.

Mr Trotman: I'm very happy to take that on notice but, again, I would say that a profits based taxation remains the Commonwealth's preferred method of taxation for the oil and gas sector. And with the Callaghan review, he found it was difficult to analyse revenues collected between other jurisdictions on a comparable basis. But I'm very happy to work with you, Senator, in terms of providing, on notice, advice of an example of the benefits provided by a particular project. We can work with you on that.

ANSWER

Under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGS Act), the grant or renewal of a petroleum retention lease requires the applicant demonstrate that resources are not currently commercially viable but are likely to become so within 15 years.
The National Offshore Petroleum titles Administrator (NOPTA) assesses the information provided by applicants to provide advice to the Joint Authority on the current and likely future commercial viability of the resource, for consideration in deciding on whether to grant or renew a retention lease.

An applicant is required to provide a broad range of technical and economic data as outlined in the publicly available 'Guideline - Grant and Administration of a Retention Lease and Related Matters'. The information required includes details of the Internal Rate of Return (IRR) and Net Present Value (NPV) (and supporting assumptions and underlying data) associated with the possible range of development concepts identified for developing the resource. Assessment of the application includes examining the potential returns forecast by a titleholder from developing a resource (i.e. the sale of resources) as well as calculating estimates of taxation.