



25 November 2010

Ms Sandra Kennedy  
 Senate Select Committee on New Taxes  
 Parliament House  
 Canberra ACT 2600

Dear Ms Kennedy

### **INQUIRY INTO A NATIONAL MINING TAX**

Thank you for your letter of 25 November 2010 in regard to the question on notice by Senator Cameron at the public hearing on 8 November.

Key assumptions relating to the 2008 *Promoting domestic gas exploration and development: Tax, royalty and investor incentives* report include:

#### **Tight gas project**

Decline rate	32%
First production	2012
Royalty holiday (years)	0
Royalty rate	10%
Discount rate	10%
CPI	2.5%
Gas price escalation % CPI	100%
Cost escalation % CPI	100%
Depreciation	10%
Project pays company tax	30%

#### **Offshore gas field project**

Life of production (years)	20 years
Production taper (years from end of life)	5
Start field development	2008
Years to develop production facility	2 years
CPI inflation	2.5%
Production depreciation rate (prime rate %)	5%
Project pays company tax	30%

The Alliance appreciated the opportunity to address the Committee on the importance of encouraging domestic gas supply through Australia's taxation arrangements.

Yours sincerely

**Tony Petersen**  
**Chairman, DomGas Alliance**