

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Tourism and Resources Portfolio
Budget Estimates 2005-2006, 30-31 May 2005

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, TOURISM AND RESOURCES
OUTCOME/OUTPUT: Outcome 2, Output 2.1
TOPIC: NORTH WEST SHELF CONDENSATE PRODUCTION
FIGURES AND EXCISE PAYABLE
REFERENCE: HANSARD 31/05/05, PAGE E5

QUESTION No.91

(Hansard 31/05/05, p.E5)

Senator O'Brien asked about:

Can you provide the production figures for condensate produced in the North West Shelf in association with natural gas in the last two financial years?

ANSWER

The condensate produced in association with natural gas from the North West Shelf production licences was approximately six million kilolitres in 2003-04 and is estimated to be 5.5 million kilolitres in 2004-05.

QUESTION No.92

(Hansard 31/05/05, p.E5)

Senator O'Brien asked about:

Can the Department provide a range of estimates of excise payable by treating the condensate as if it had been old, new or intermediate oil, including appropriate qualifications on how the estimates were determined?

ANSWER

We do not believe it is possible to calculate a reliable estimate of excise payable by treating condensate from the North West Shelf as if it had been either 'old', 'new' or 'intermediate' oil for the reasons outlined below.

The rate of excise on crude oil depends on the annual rate of production from a petroleum field, the date of the discovery of the petroleum reservoir and the date on which production commenced. Because condensate from the North West Shelf has never been subject to crude oil excise, the Department does not have information about the number of separate petroleum accumulations from which North West Shelf condensate is produced or when those accumulations were discovered and commenced producing. As the first 30 million barrels of oil from each field is excise exempt, the determination of separate petroleum field status is critical to the calculation of excise liability from a project. This issue can be contentious and needs to be tested on the basis of detailed geological advice. Because there has never been a need to obtain such information in relation to North West Shelf condensate, it has not been obtained. We believe it would be onerous to seek such detailed information from the North West Shelf joint venture. Accordingly, the Department is neither in a position to make assumptions with any confidence about the number of fields, whether they would be 'old', 'new' or 'intermediate' oil, nor provide a reliable estimate of excise payable from condensate.

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It should be noted that the crude oil excise regime was largely developed over the 1970s and 1980s for large oil provinces like the Bass Strait fields. Condensate is produced in association with natural gas and has been excise exempt since 1976. Natural gas is also excise exempt. When the Petroleum Resource Rent Tax was introduced for 'greenfield' petroleum projects in Australian offshore areas in the mid-1980s, the excise and royalty regime was maintained for the North West Shelf project in keeping with longstanding government assurances that the fiscal regime for that project would remain stable.