

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 1, Output 1.1
TOPIC: REVISED ESTIMATE FOR OFFSHORE PETROLEUM ROYALTIES
REFERENCE: HANSARD 31/05/05, PAGE E20

QUESTION No.46
(Hansard 31/05/05, p.E20)

Senator O'Brien asked about:

Can you explain the variation in administered expense appropriation for Offshore Petroleum Royalties (as outlined in Table 2.4(A) of the PBS)?

ANSWER

The administered expense item relates to the payment made to the Western Australian Government of an amount equal to about two-thirds of the petroleum royalties paid each month by the North West Shelf production licensees. The project consists of 10 production licences, each field has an individual production profile and cost of production.

The annual Budget estimates are calculated with the following inputs for the year ahead:

- production forecasts by the project operator;
- price forecasts for crude oil and exchange rates provided by Treasury;
- prices for other petroleum based on historic relationships to crude oil by DITR; and
- costs of production based on forecast by operator, but affected by interest rates and variations to the project work plan.

At additional estimates, year to date revenues and expense are used to modify the current year estimate. The variance between initial Budget, additional estimates and final Budget outcomes is therefore subject to fluctuations – from the original estimate assumptions, in the international oil price, the exchange rate and production from each petroleum facility.

The administered expense is a function of the amount of petroleum royalty collected and, accordingly, is also subject to fluctuations in the above assumptions.