

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates

21 – 22 October 2009

**Question: sbt 50**

**Topic: The Gorgon Project**

**Hansard Page: E51 (22/10/09)**

**Senator JOYCE asked:**

**Senator JOYCE**—When would we anticipate a profit from Gorgon?

**Mr White**—I do not know if anybody knows that. We would have to take it on notice. It is certainly not within the forward estimates of the budget.

**Senator JOYCE**—For the purpose of *Hansard*, it goes through to 2012-13. The Gorgon project is a brilliant project. What is the actual return to the federal government from it?

**Mr White**—We will levy petroleum resource rent tax on it.

**Senator JOYCE**—Once they make a profit?

**Mr White**—Once they make a profit, like all other projects that are under that tax revenue.

**Mr Parker**—There is also the standard company income tax regime that applies to it.

**Senator JOYCE**—They have to bring the project online. What will the depreciation rate on their capital be?

**Mr Parker**—It varies in the company income tax system and in the PRRT arrangements. For PRRT purposes there are uplift factors that change the nature of the tax into a rent tax. We will get someone from business tax to answer the question on depreciation rates.

**Senator JOYCE**—This is an incredible experience for you, Mr Flavel. You have been coming up for years and you actually get to do something today.

**Mr Flavel**—The Gorgon project will have a range of different oil and gas assets. There are, in fact, statutory caps on the life of those assets. In terms of depreciation they would get to write them off over the rate that is outlined in the tax law.

**Senator JOYCE**—Is there an accelerated depreciation rate accessible to the implementation of the cap that will be attributable to this Gorgon project?

**Mr Flavel**—I am not sure that I can answer that, because I do not know the specifics of which assets.

**Senator JOYCE**—Have we still got R&D accelerated depreciation?

**Mr Flavel**—No. There is an accelerated write-off for R&D. In this case we are talking about things like the physical assets: the pipelines and so forth. Oil and gas assets of that nature do have an accelerated write-off period.

**Senator JOYCE**—What is the accelerated write-off period?

**Mr Flavel**—I would have to take that on notice. It is between 20 and 30 years.

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#### Answer:

The effective life (or depreciation write off period) of oil and gas assets varies depending on the type of asset. Assets used to manufacture condensate, crude oil, domestic gas, liquid natural gas and liquid petroleum gas have an average effective life between 20-30 years. Some assets only have an effective life of 10 years. A full schedule of the effective life of all oil and gas assets can be found in Taxation Ruling 2009/4. A table of the 'Capped life of certain depreciating assets used in specified industries' is below.

<b>Item</b>	<b>Kind of Depreciating Asset</b>	<b>Industry In Which Asset is Used</b>	<b>Period (years)</b>
1	Gas transmission asset	Gas Supply	20
2	Gas distribution asset	Gas Supply	20
3	Oil Production asset (other than electricity generation asset or an offshore platform)	Oil & Gas Extraction	15
4	Gas Production asset (other than electricity generation asset or an offshore platform)	Oil & Gas Extraction	15
5	Offshore Platform	Oil & Gas Extraction	20