Tax mistake could kill nation-building gas industry
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As Australians, we should celebrate the remarkable growth of the LNG industry, with hundreds of billions of dollars of investment creating tens of thousands of jobs, contributing huge sums to government revenues and providing safe and clean energy to the world.

We should commend those politicians who put in place a regime that facilitated this investment, allowing Australia to emerge as a global leader in LNG production right at a time of growing demand for low-emissions, reliable energy.

Instead, our industry is under pressure from those who oppose development and those who may be tempted to target a successful industry for a short-term revenue fix.

The federal government has commissioned a review of the Petroleum Resource Rent Tax (PRRT) after calls for new taxes on our industry right at a time when we are dealing with low oil and gas prices.

We are working with the PRRT review team to explain why tax changes that hamper growth in our industry would be a backward step. We understand governments face fiscal challenges and need to monitor the effectiveness of policies and we expect a rational review of our industry's tax contribution will show the current regime is working.

In the 1980s, PRRT was put in place, over and above company tax, to ensure oil and gas projects pay another tax if they generate profit after recouping development costs. Successive governments have supported the principle that producers should pay more tax when they generate lots of revenue and less when oil and gas prices are low. It would be perverse to overturn that now, as the industry emerges from a challenging time, after prices plunged last year to 14-year lows.

The system is delivering a fair return to Australians for their resources, ensuring projects are developed, jobs are created and taxes are paid. Woodside has paid $6 billion in taxes in Australia over the past 5 years. Over the life cycle of a large, economic gas project in Australia, taxes can account for around 70 per cent of the value the project generates. This means the government is already set to receive the majority of a project's value, even though investors take all the risk.

Our industry is used to dealing with fluctuations in pricing and global supply – we have to live with that uncertainty and take carefully calculated risks. However, the one constant that makes investing in Australia a smart choice is the certainty of regulatory and fiscal arrangements. When we invest in countries where governments are less predictable, we factor in uncertainty but can usually also count on much lower costs.

It is concerning that consideration is now being given to overhauling fiscal settings that have served Australia so well, facilitating more than $200 billion of investment during a period of economic uncertainty since the global financial crisis. This investment has allowed production from Australia to grow to the point that we now provide roughly a third of all LNG traded annually on global markets.

In a highly-competitive global environment, Australia must do all it can to remain an attractive investment destination. This means it is incumbent upon governments, federal and state, to ensure fiscal policy reflects the long-term risk undertaken by investors as well as ensuring appropriate tax revenues flow to resource owners. It would be disappointing if policy-makers were to take a short-term view of projects that deliver long-term benefits and unfairly target those who have made massive investments based on the low sovereign risk our country offers.

It is even more concerning that changes to our fiscal regime could occur at a time when final investment decisions on major projects already hang in the balance because of low global prices. Any retrospective changes could also impact existing projects, which would be very short-sighted.

Such changes could affect our thousands of Australian employees, and also our investors. As an Australian company, we pay fully-franked dividends to more than 210,000 "mum-and-dad" shareholders in Australia. We are expanding our global portfolio, but Australia is still our focus and we want to continue to invest here. As we compete with international producers who are also keen to develop Australia's resources, we urge the government not to put further hurdles in our path.

Australian decision-makers in the 1980s had the vision to design a PRRT that would enable our industry to get established and recoup up-front costs before adding another layer of tax. To change the system now could mean Australia has seen the last of the nation-building gas projects which contribute so much in economic growth, revenue and jobs.