The Petroleum Resource Rent Tax (PRRT)

Is it working and should it be replaced?

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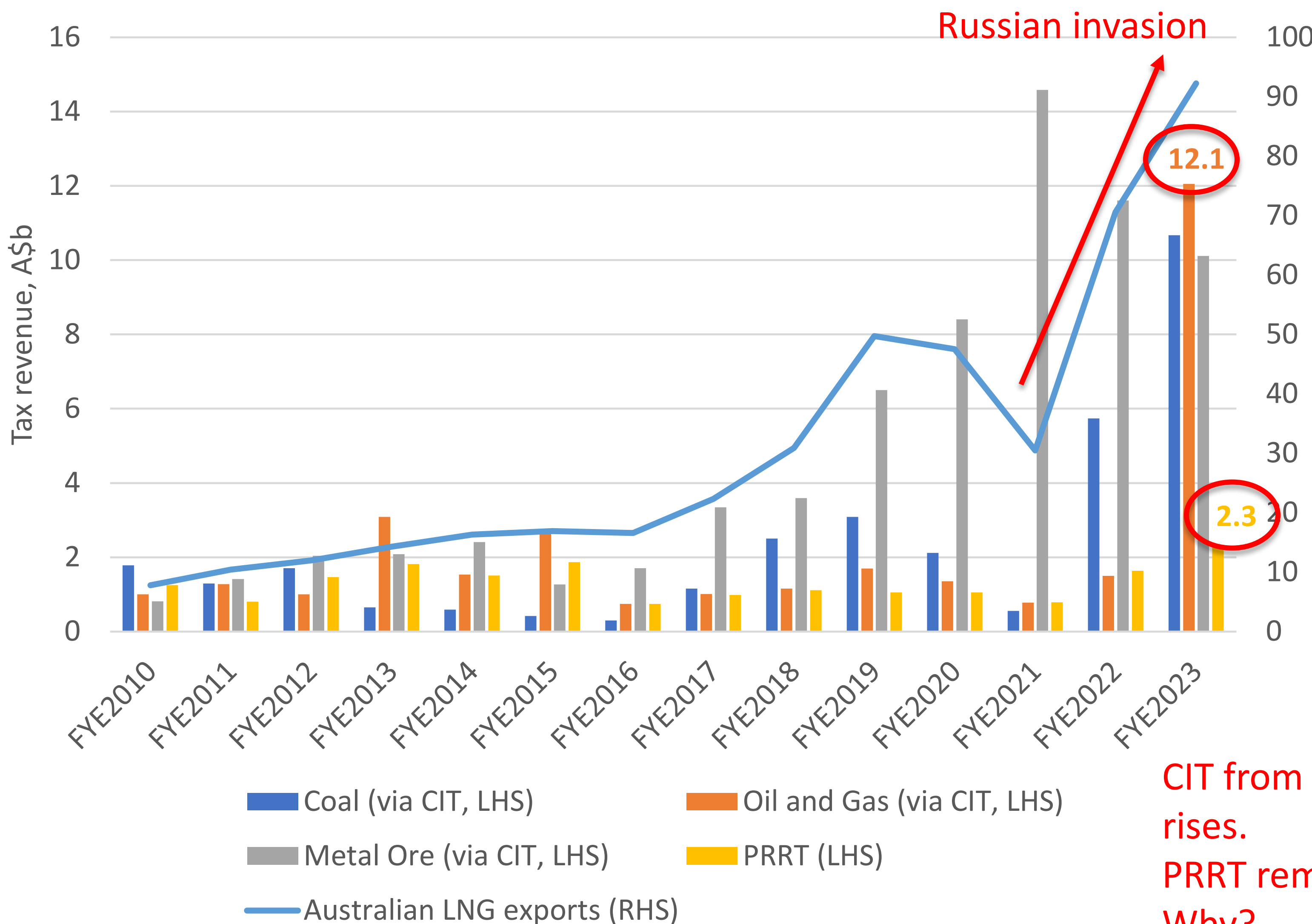
Australia's LNG Boom
Why Has PRRT Revenue Been So Small?



CIT from Oil/Gas rises.
PRRT remains flat.
Why?

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Not all LNG projects pay Petroleum Resource Rent Tax (PRRT)
When oils ain't oils

Australia has ten major LNG plants. Green shading implies PRRT-liable.

- **WA:** North-west shelf, Pluto, Forgon, Prelude, and Wheatstone
- **QLD:** APLNG, QCLNG, and GLNG
- **NT:** Darwin LNG and Ichthys LNG

From the 2023-24 Federal Budget, delivered May 2023:

To date, not a single LNG project has paid any PRRT and many are not expected to pay significant amounts of PRRT until the 2030s

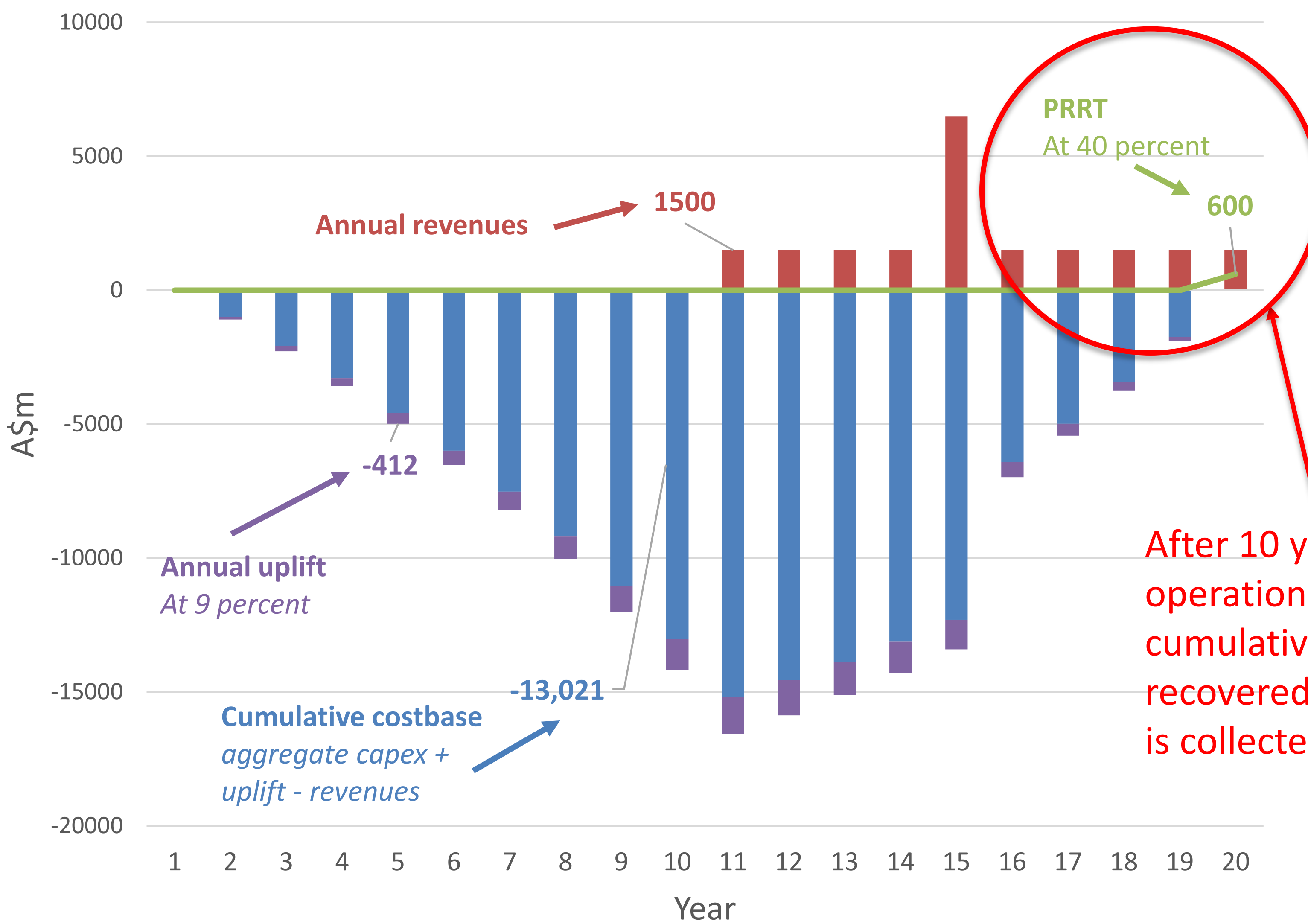
About 90% of Australia's oil, gas and LNG industry costs can be attributed to LNG…

…but all the A$1.5b to A$2b in PRRT collected annually comes from legacy oil and pipeline gas projects offshore, e.g., the Gippsland and Otway Basin.

Four questions:

- How does the PRRT work?
- What is the PRRT base when it comes to LNG?
- Is profitability for Australian LNG particularly low compared to peers internationally?
- Are there rents to tax?

A stylized 10-year, A$10b investment
When might we collect PRRT?



After 10 years of operation, cumulative costs are recovered and PRRT is collected

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The Petroleum Resource Rent Tax (PRRT) base

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Are profit margins competitive with peers?

	Australia *Oil and Gas Extraction*		**Norway** *Inferred Oil and Gas from aggregate Mining and Quarrying*	
Cost Structure 2022/23	Value, A$m	Share of total cost	Value, A$m	Share of total cost
Gross Operating Surplus	95,962	73%	138,064	79%
Other costs	*34,676*	*27%*	*36,322*	*21%*
Total costs	130,638	100%	174,386	100%
Tax collections, 2022/23	14,338		66,309	
Implied rate relative to gross GOS	*15%*		*48%*	

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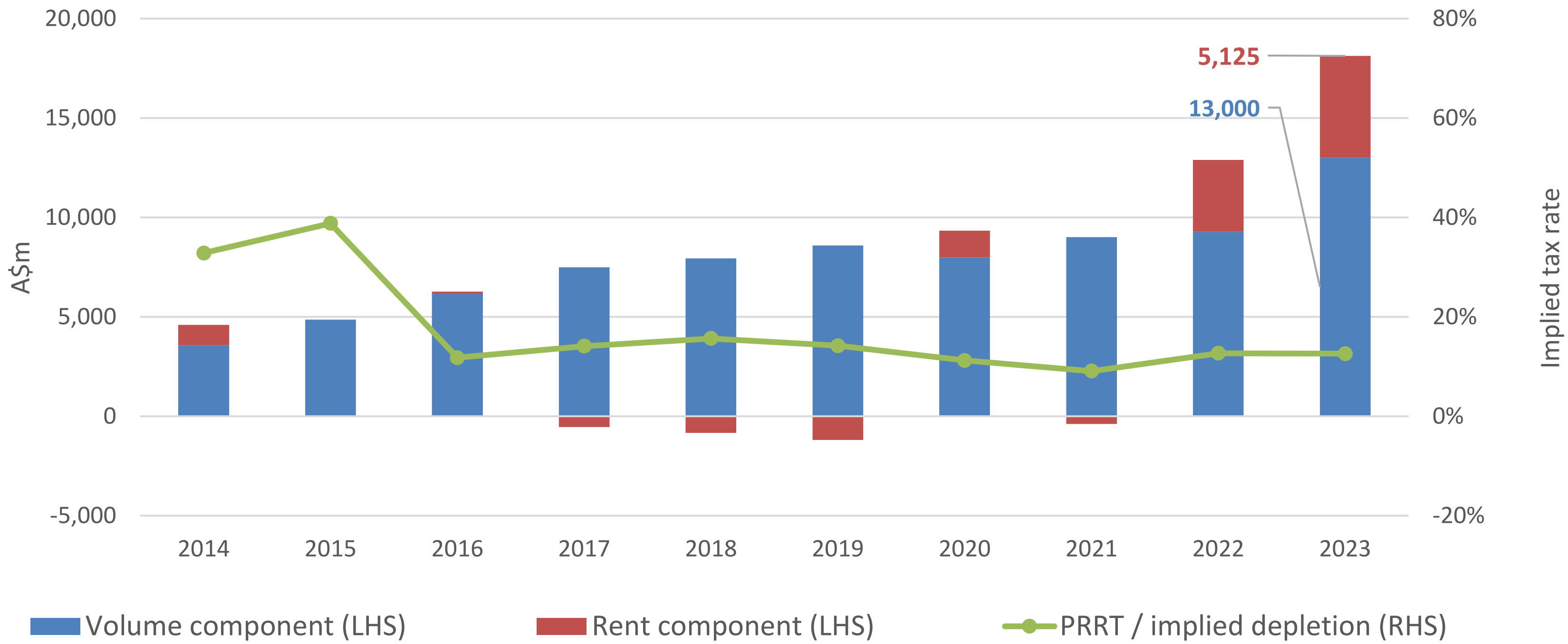
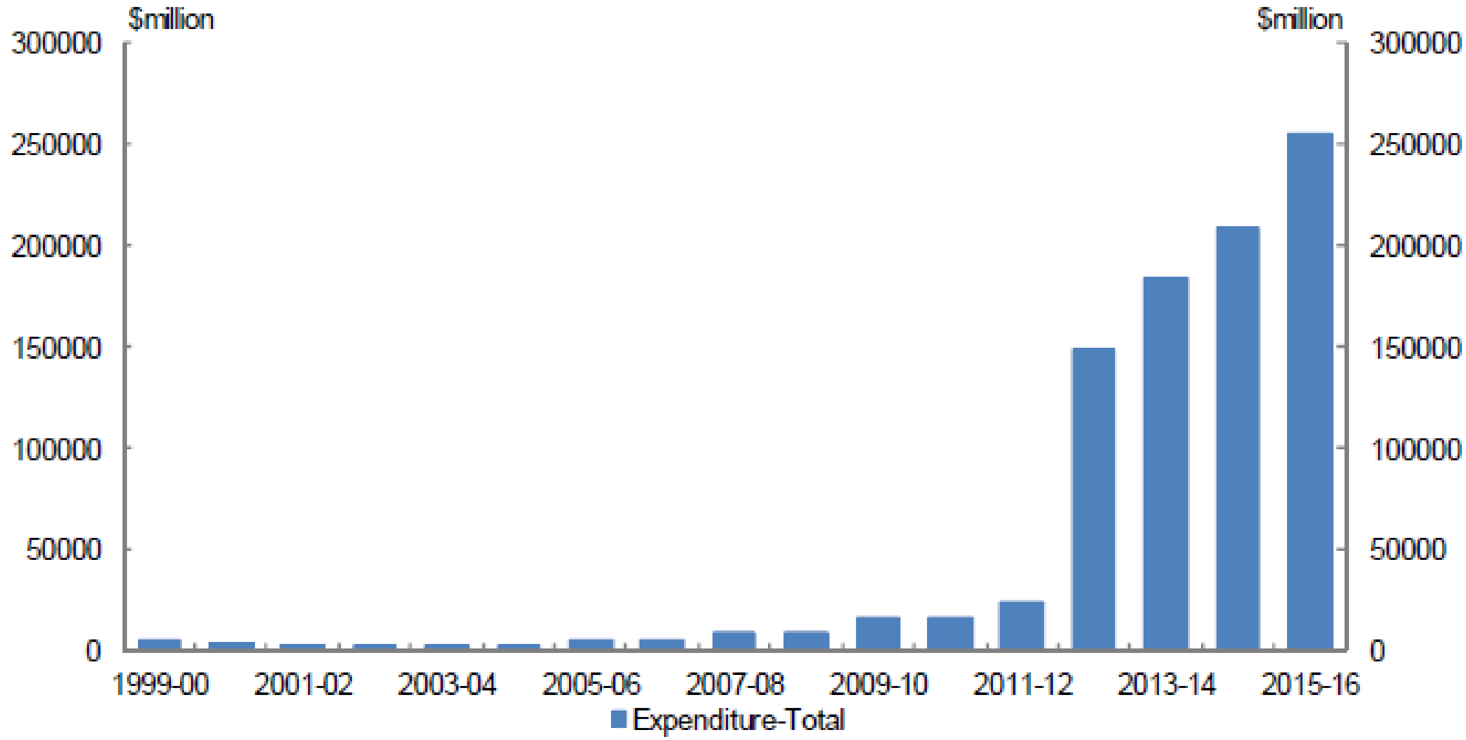
Is there evidence of resource rents?
Implied resource depletion in A$m (LHS) and the Implied PRRT rate (RHS)



How are expenditure pools tracking?
No comprehensive public source of updated expenditure-pool data exists

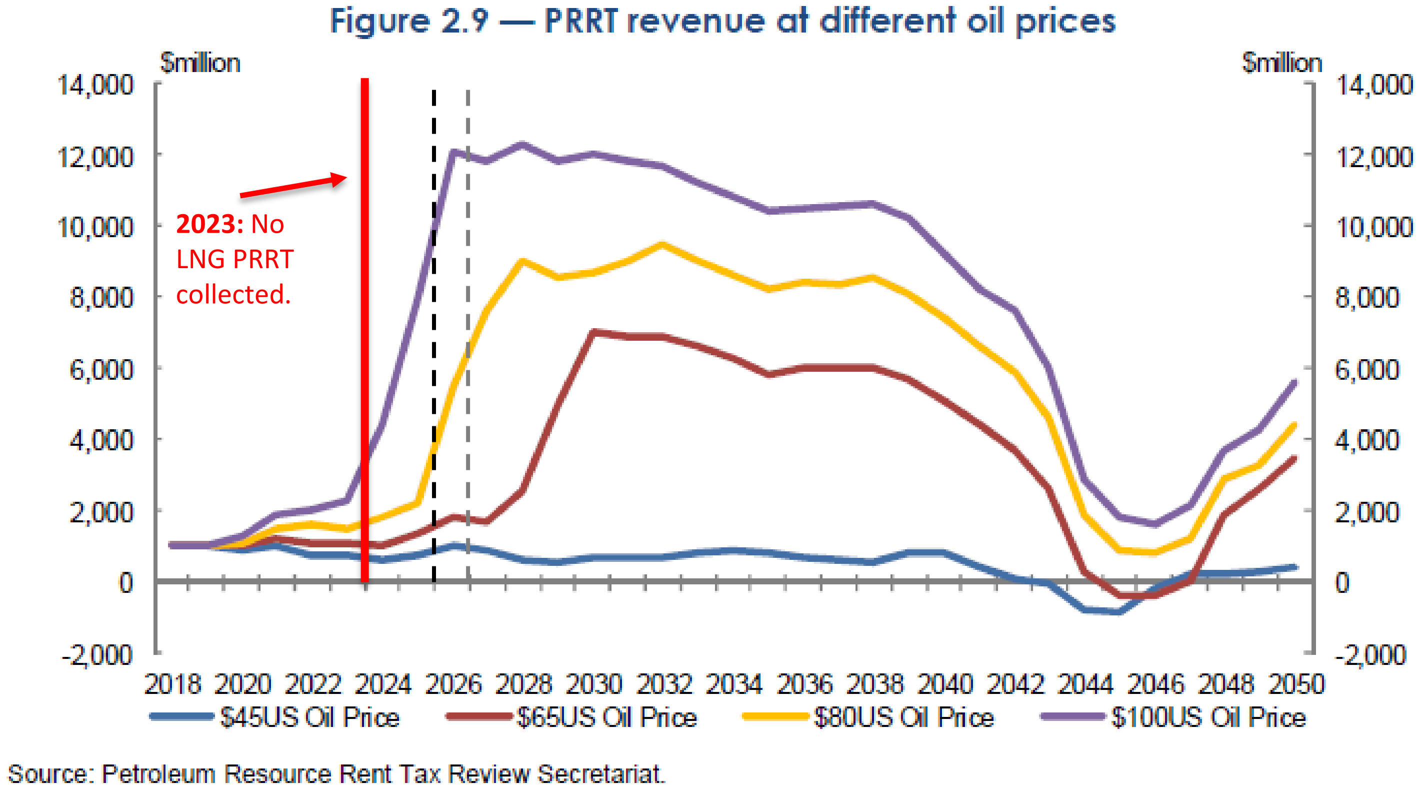
Figure 2.3 — Total deductible expenditure



Source: ATO Taxation Statistics, ATO submission.

Source: Callaghan, M. (2017). *Review of the Petroleum Resource Rent Tax*. Australian Government, Canberra.

How may revenues evolve over time?
Annual forecast revenues in Australia remain well below other gas exporters



Source: Callaghan, M. (2017). *Review of the Petroleum Resource Rent Tax*. Australian Government, Canberra.

Revenues: reality versus forecasts

- Global oil price guide: US$92 (22-23), US$79 (24-25), and approx. US$92 (25-26).
    - 2022-23 reality vs forecast: A$2.3b vs A$1b or A$1.7b
    - 2024-25 reality vs forecast: A$1.42b vs A$1.7b or A$3.5
    - 2025-26 estimate vs forecast : A$1.5b vs A$1.7b vs A$7b

Key takeaways

- Australia's LNG industry is large and profitable.
- Evidence suggests substantial resource rents exist.
- PRRT revenues remain modest even during gas-price booms.
- Tax-base design and uplifted deductions matter more than the statutory tax rate.
- The central policy question is whether the PRRT remains fit for Australias modern petroleum extractives industry.