ExxonMobil Australia Pty Ltd
ABN 48 091 561 198
12 Riverside Quay
Southbank, Victoria 3006
GPO Box 400
Melbourne, Victoria 3001
61 3 9270 3333 Telephone

Richard J Owen
Chairman

9 March 2017

Mr Michael Callaghan AM
Petroleum Resource Rent Tax Review
The Treasury
Langton Crescent
PARKES ACT 2600

By email: PRRTReview@treasury.gov.au

Dear Mr Callaghan

Further to ExxonMobil Australia's submission on 3 February 2017 I wish to make a supplementary submission to provide additional data.

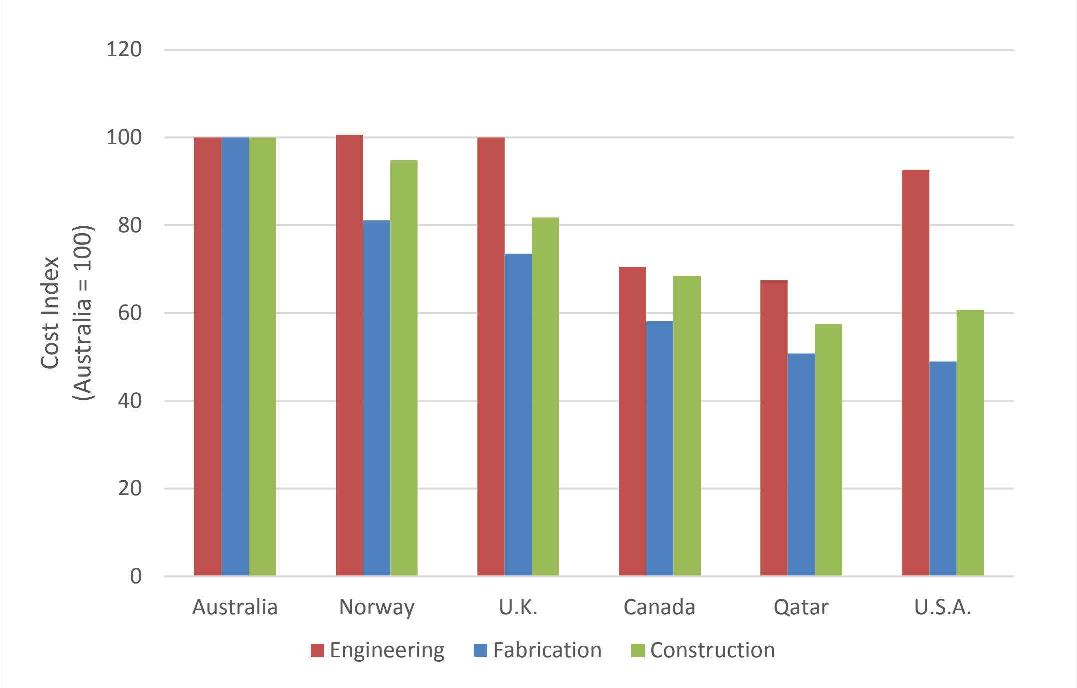
As explained in that submission the ExxonMobil Australia group of companies are wholly owned subsidiaries of Exxon Mobil Corporation which is incorporated in the United States of America. The global group controlled by Exxon Mobil Corporation is the world's largest publicly traded international oil and gas company and has a presence through various affiliates in over 200 countries and territories throughout the world.

As a result, ExxonMobil Australia competes for capital for investments against each of these countries. Many of these countries, even those developed nations such as the United Kingdom, Norway, Canada, the United States and Qatar, already have a significant comparative advantage to Australia.

Based on Exxon Mobil analysis, chart 1 below shows the relative cost of an onshore construction as measured by the three key input components to a project, engineering, fabrication and construction.

As can be seen, while engineering costs are equivalent in Norway and the United Kingdom, engineering costs in Canada, Qatar and the United States are lower than Australia. Fabrication costs in all five comparison countries are lower than Australia, with Qatar and the United States being almost half the cost. And finally, construction costs are also lower across the board in all five comparison countries, with the United States and Qatar sitting at approximately 60 per cent of the cost of construction in Australia.

Chart 1 – Onshore Construction Cost Comparison



Against this background, the Government needs to be cautious about making changes to the Petroleum Resource Rent Tax (PRRT) that could make Australia less favourable as an investment destination, as investment decisions made by Exxon Mobil are based not only on market dynamics or resource quality, but also on the regulatory and fiscal regime.

As noted previously, ExxonMobil Australia has provided a significant return to the community, through direct PRRT payments of more than $12 billion, but also through less tangible benefits such as employment, a reliable and domestic source of energy and the associated industries spurned by oil and gas. At the same time the PRRT has fostered ongoing investment in the Gippsland Basin, with two new generations of platforms coming online as a result of this regime.

Therefore, from Exxon Mobil's perspective, the PRRT has proven to be effective over the long-term. It is however experiencing a short-term revenue reduction due to recent declines in resource prices and the lag between the start-up of projects and commencement of PRRT payments that is inherent in the design of PRRT.

Please contact Andrew Murphy, Public and Government Affairs Manager for ExxonMobil Australia on (03) 9270 3437, for any queries with respect to this submission.

Yours faithfully