



## PE Wheatstone Pty Ltd

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Mike Callaghan  
Review of Petroleum Resource Rent Tax  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Email: prrtreview@treasury.gov.au

2 February 2017

Dear Sir

### **Review of Petroleum Resource Rent Tax**

PE Wheatstone Pty Ltd (PEW) welcomes the opportunity to provide some specific comments on the review of the Petroleum Resource Rent Tax (PRRT) regime as announced by the Treasurer on 30 November 2016.

#### **Background**

PEW is an Australian company owned by a consortium of Japanese companies including Mitsubishi Corporation, JERA Co., Inc. and Nippon Yusen Kabushiki Kaisha.

PEW acquired an interest in the Wheatstone LNG project in 2012, and has committed to an investment through estimated development costs of prior to first production of approximately USD 3.8billion.

PEW is concerned that any changes to the PRRT regime will undermine investor confidence in Australian resource projects and will make a significant impact to the economics of the Wheatstone project on which formed the basis for PEW's shareholders' investment decision.

While PEW recognises the sovereign right of Australia to reform its tax regime, it also believes that it is of critical importance that fundamental aspects of the regime, such as the current PRRT regime, that were in place at the time that it made the decision to invest such significant sums in an Australian investment, are effectively preserved and quarantined from any tax reform process.


The Government, and in particular the Prime Minister and Treasurer, have specifically stated that Australia's tax regime needs to become more competitive in a global environment competing for foreign investment. PEW agrees with the Government's position, and believes that foreign investment will flow from confidence in the stability and transparency of the fiscal regime as well as its overall competitiveness from a global perspective.

In addition, PEW is supportive of the current profit-based PRRT regime as it helps facilitate investment decisions for oil and gas projects which may otherwise not be developed if tax was levied by way of an output based royalty, particularly in a time of lower commodity prices. The PRRT regime appropriately acknowledges the high risk of exploration activities and ensures that PRRT only becomes payable once taxpayers have recouped the significant investments, with appropriate augmentation adjustments.

Any proposed changes of PRRT rules may provide short-term economic benefits to the Australian government, but this may significantly harm future investment by foreign investors in the long run, and as a result have a longer term negative impact on the Australian economy.

We strongly encourage the Government to reconsider any revisions to the PRRT regime, having regard to its stated principles of attracting foreign investment in an increasingly competitive global environment. To the extent that the Government concludes that a revision is necessary, this must be limited to new expenditure on newly sanctioned projects to ensure that there is no retrospective application to the regime. That is, PEW's existing committed expenditure on the Wheatstone project must be grandfathered from any prospective changes.

Yours faithfully

  
Hitoshi Nishizawa  
Managing Director