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Director, Special Tax Regimes Unit  
Corporate and International Tax Division  
Treasury  
Langton Cres  
Parkes ACT 2600  
prrt@treasury.gov.au

To whom it may concern

The Business Council of Australia welcomes the opportunity to comment on the Petroleum Resource Rent Tax (PRRT) anti-avoidance provisions exposure draft and the PRRT tolling arrangements regulations. These measures follow from the PRRT Gas Transfer Pricing Review and the 2023-24 Budget commitment to update the PRRT general anti-avoidance rules.

All companies must meet their tax obligations and do so in a transparent way – including the PRRT. Robust tax integrity and transparency measures are an integral complement to more competitive business tax arrangements.

The anti-avoidance amendments aim to be in line with the income tax anti-avoidance rules that apply to corporate income tax and seek to ensure that the definition of ‘exploration’, which receives favourable treatment under the PRRT regime, is not interpreted too broadly.

The tolling regulations exposure draft aims to reform the methodology used in the 2015 Regulations to calculate the price of sales gas that is processed into liquefied natural gas (LNG), including the advanced pricing arrangement (APA) rules, comparable uncontrolled price (CUP) rules and ensuring that tolling arrangements are expressly captured in the regulations.

Together, the proposed legislative and regulatory changes serve to implement the changes arising from the Gas Transfer Pricing Review first initiated by the former government. Throughout this process, the BCA has emphasised the importance of providing predictability and certainty for the offshore gas industry and its customers. In particular, it is important that changes to taxation arrangements do not adversely affect historical investment in the industry valued at over \$300 billion that would in turn adversely affect future decisions to further invest in the gas sector.

The BCA does not have specific comments on detail of the exposure drafts, although urges close consultation with industry to ensure that the new provisions work as intended and provide industry with the certainty needed to protect existing and future investments. In its previous submissions to the review of the PRRT, the BCA noted that an increase in the effective tax burden on the industry may adversely affect investment outcomes. Changes to the PRRT flowing from the Review are estimated by Treasury to increase government receipts by \$2.4 billion over the five years from 2022-23.

In the context of these two consultations, it should be recalled that the offshore gas industry is a leading exporter, with natural gas Australia’s third largest export in 2022 with a value of \$90.3 billion. Gas plays a critical role in underpinning domestic energy security and ongoing investment will be required to ensure that both domestic and export demand for gas can be met in future.

As the BCA noted in its submission to the Future Gas Strategy Consultation Paper,<sup>1</sup> the gas sector plays a key role in Australia's broader energy mix across a range of sectors currently and provides 27 per cent of Australia's primary energy supply. Security of supply is a cost-of-living issue for Australian households given the role of gas in determining the marginal cost of electricity generation (as peaking generation and increasingly as firming generation as more renewables enters the market). Security of supply is also important in underpinning investment by other industries, with manufacturing particularly sensitive to increases in the cost of energy.

Gas projects are major investments with very long lead times. Australia's gas exports are also underpinned by long-term contracts. Australia's offshore gas export customers are particularly sensitive to potential threats to the security of supply and have been vocal in expressing concern about policy developments affecting the sector. Australia faces increasing competition from gas producers internationally, including the United States, now the world's biggest oil and gas producer. Predictability in policy and tax settings is essential to underpin existing and future investment.

Yours sincerely



**Bran Black**  
Chief Executive  
Business Council of Australia

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<sup>1</sup> Business Council of Australia, Submission to the Future Gas Strategy Consultation Paper, 1 December 2023.  
[https://www.bca.com.au/submission\\_to\\_the](https://www.bca.com.au/submission_to_the)