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Woodside risk as tax break goes

- **Jamie Freed**
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THE Federal Government's surprise decision to remove an exemption for condensate from the crude-oil excise could cost Woodside Petroleum up to 5 per cent of its annual profits.

The provision in the budget - designed to deliver $2.5 billion to the Government in extra excise revenues over the next four years - is expected to apply primarily to the giant North-West Shelf joint venture offshore from Western Australia. BHP Billiton and other joint venture partners will be hit as hard as Woodside on revenue, but their larger earnings bases will lessen the proportional effect on profits.

Woodside's chief executive, Don Voelte, last night lashed out at the Government's decision to change the terms of a long-running agreement without any consultation with industry players.

"This is not a loophole which is being closed, or a free ride which has come to an end," he said.

"This is a negotiated fiscal arrangement which formed the basis of Australia's largest resource development."

Belinda Robinson, the chief executive of the Australian Petroleum Production and Exploration Association, said she was "concerned" at the absence of any consultation.

"Given the magnitude of the investments involved and the

important contribution of this

industry to the Australian economy, a strong partnership between industry and government is critical," she said.

Condensate - a light crude oil associated with natural gas - had been excluded from the crude-oil excise as part of a fiscal package to facilitate the development of the $25 billion North-West Shelf liquefied natural gas joint venture. "The North-West Shelf Venture is a major contributor to the nation's gross domestic product, and any changes to the fiscal regimes under which existing major projects such as this operate should be considered extremely carefully," Mr Voelte said.

The budget provision also removed an exemption for condensate production from onshore fields discovered before 1975, but industry sources said that that was unlikely to affect Santos since it did not produce high enough levels of condensate in the Cooper Basin.

Goldman Sachs JBWere said it needed more details before making a definitive downgrade to Woodside's earnings, but it appeared the petroleum company could lose up to 5 per cent of its annual profits.

"Our forecasts are under review," the energy analyst Anthony Bishop said.

In the budget papers, the Government said the measure would "increase the return to the Australian community for allowing the extraction of non-renewable energy resources", delivering on its commitment to responsible economic management.

Woodside shares closed 7c higher at $61.40 yesterday as oil globally continued to trade at near-record levels.