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# Woodside slams tax turnaround for North West Shelf project

Article from: AAP

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May 14, 2008 05:40pm

**WOODSIDE Petroleum has slammed a Federal Budget decision to end a 30-year-old tax exemption it says underpins its major North West Shelf venture in WA.**

Woodside says it wasn't consulted about the Federal Government's move end the tax exemption on extracting light crude oil from natural gas.

It says the tax exemption has underpinned the viability of the $25 billion North West Shelf Venture in WA, while observers expect the removal will eat into the venture's earnings and give the government a revenue windfall.

Woodside chief executive Don Voelte said the exemption was not a loophole or a free ride.

``This is a negotiated fiscal arrangement," he said. ``We have lived up to our commitments under this arrangement.

``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 major projects such as this operate should be considered extremely carefully."

He said governments had a responsibility to consult with industry on major issues such as this.

Mr Voelte said relief from the excise was among several measures that underpinned the economic viability of the North West Shelf Venture, which had provided billions of dollars in revenue to the WA and federal governments over the past 24 years.

The government had enjoyed revenues from first production many years before the project had recouped its costs, the company said.

Australian Petroleum Production & Exploration Association chief executive Belinda Robinson said a strong partnership between industry and government was critical, given the magnitude of the investments involved and the important contribution that the industry has made to the economy.

``Investment decisions are made on the basis of certainty that fiscal frameworks agreed with governments will underpin the long term economic viability of projects," Ms Robinson said.

According to budget estimates, the removal of the condensate exemption from the crude oil excise will allow the government to claw back about $2.5 billion over the next four years.

An industry source said the change will only apply to oil and gas projects that are not subject to the petroleum resource rent tax (PRRT), primarily the North West Shelf Venture project.

Woodside shares fell in early trading but closed seven cents stronger at $61.40 after the crude oil price rose to an fresh record high of $US127 a barrel overnight.

While massive natural gas reserves are the basis of the North West Shelf Venture, condensate or `wet gas' - which becomes light crude oil when extracted from natural gas - is sought after because it is lucrative.

Woodside also today completed the purchase of Shell's North West Shelf oil interests.

The $US277.7 million ($A295.4 million) acquisition was part of Woodside's strategy shift to focus on its core Australian assets and divest non-core overseas assets.

The purchase doubles Woodside's participating interest in the Cossack, Wanaea, Lambert and Hermes fields to 33.33 per cent.

It lifts from 33.33 per cent to 50 per cent its interest in the Egret oil discovery area and exploration portfolio, which is near Woodside's Cossack Pioneer floating production facility.