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Gas giant Woodside warns against tax and regulatory changes in budget

Woodside chief executive Meg O’Neill says Anthony Albanese’s sweeping energy market interventions had created ‘genuine concern’ among customers and governments, particularly in Asia. Picture: NCA NewsWire / Nikki Short

By JESS MALCOLM

9:15PM APRIL 19, 2023

https://www.theaustralian.com.au/nation/politics/gas-giant-woodside-warns-against-tax-and-regulatory-changes-in-budget/news-story/7510f800a4191cdc825e6061795ce60c

The head of one of the nation’s largest LNG companies says foreign investors are now questioning whether Australia is a safe investment destination amid a changing regulatory environment, and has urged Labor not to ramp up taxes on gas producers in the May federal budget.

In an address to the National Press Club, Woodside chief executive Meg O'Neill said Anthony Albanese's sweeping energy market interventions had created "genuine concern" among customers and governments, particularly in Asia.

Ms O'Neill said the gas industry played an essential role in maintaining the nation's strategic partnerships as well as regional security, and argued unstable regulatory outcomes risked "choking our energy industry, impacting both domestic and international supply".

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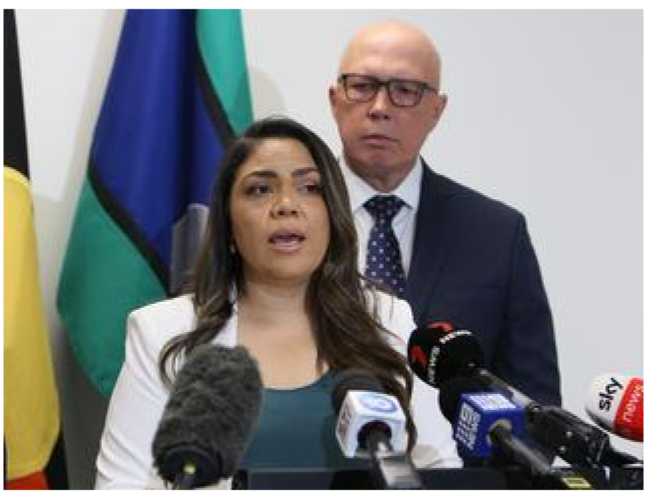
- 

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"This concerns our regional partners, who depend on current Australian gas projects to help them meet their decarbonisation commitments and to keep the lights on in Asian megacities," the Woodside chief said.

"We've got to have a regulatory framework, and we've got to have a comprehensive view from government that supports that additional gas supply. Our customers are genuinely worried."

The comments come after Takayuki Ueda, chief executive of Japanese gas giant Inpex, warned recent regulatory changes would "choke investment, strangle expansion of LNG projects and allow Russia, China and Iran to fill the void".

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Japanese ambassador Shingo Yamagami also said the "neon lights of Tokyo" would go out if Australia stopped exporting energy resources, and he warned against rushing the transition to net-zero emissions.

Ms O'Neill said the development of the Australian gas industry was "only possible with the support of international investors and customers with an interest in securing their energy supply."

Woodside Energy CEO Meg O'Neill says the Australian government is "overreaching" with their changes to the…

“Those same customers and partners are now feeling that interest more keenly after the energy shock of the past year. But they are now questioning if Australia wants their investment.”

With Jim Chalmers tipped to announce a hefty tax hike on big gas producers through a potential overhaul of the petroleum resource rent tax next month, Ms O’Neill cautioned against any “overreach” in the budget.

She noted that Woodside paid $2.7bn in taxes and royalties last year, with the company’s effective tax rate at 46 per cent.

Australian gas producers are set to break their export supply record in 2023 after reaping $90bn in earnings last year, a new high.

Ms O’Neill said Australian LNG producers were forecast to deliver nearly $14bn in receipts to state and federal governments this financial year, according to a recent industry survey by the Australian Petroleum Production and Exploration Association.

“We urge the government, in any changes to the tax framework, to consider the long term and preserve Australia’s ability to attract the next generation of investment, jobs and energy supply,” she said.

“The risk that we run, though, is to try to do something in the near term that’s a bit of a Band-Aid, but it’s going to cause long-term harm,” Ms O’Neill said.

“It’s going to cause investment again to be under additional pressure, and opportunities we may pursue to bring new projects to bear may be under pressure.”

Ms O'Neill also said Labor's proposed reasonable pricing provision under its mandatory code of conduct had halted gas deals and had already created supply issues in the market.

"The challenge with the mandatory code of conduct is it creates a fair amount of uncertainty about how the marketplace is going to operate," she said.

Ms O'Neill also criticised the Coalition for voting against Labor's safeguard mechanism, saying it was a "missed opportunity" that opened up a pathway for the legislation to be driven by "fringe" ideas.

The Coalition's opposition to the bill forced Labor to strike a deal with the Greens, which caused further regulatory burdens to be placed on the gas industry.

"It was a missed opportunity that the Coalition was not prepared to deal with the government on this legislation," Ms O'Neill said.

"For Australia to tackle the climate crisis sustainability, it has got to be done in the centre and in a way that can endure, regardless of who is in power."

Her comments came as new analysis from the Climate Energy Finance group found Woodside would be hit with a $63bn carbon credits bill out to 2050 under the safeguard reforms if it goes ahead with its Browse and Scarborough LNG projects in WA.