



## Woodside threatens to pass on proposed tax to WA households

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Woodside Petroleum has threatened to lumber its customers, including WA households, with price increases worth up to \$2.5 billion over four years unless the Federal Government abandons its plan to slug the North-West Shelf project with a new tax.

Woodside chief financial officer Mark Chatterji issued a two-line statement yesterday in which the company turned up the heat on the Government over its May Budget proposal to force the North-West Shelf partners to start paying tax on the highly-valuable condensate — a form of light crude oil — that it produces. The Shelf partners have argued vehemently against the Government's

plan, saying it was done without consultation and breached the agreement under which the project was developed. Though they have already warned the tax would increase their costs, the statement is the clearest warning yet that customers may be forced to foot the bill.

"In order to stay competitive, businesses seek to pass cost increases on to their customers," Mr Chatterji said.

"This is especially true for Woodside, given that we are reinvesting 100 per cent of our profits and borrowing billions of additional dollars in order to build our Pluto LNG project here in Western Australia."

Woodside refused to elaborate on

the statement and would not specify the potential costs for WA gas customers. As well as supplying the bulk of WA's domestic gas, the North-West Shelf also produces liquefied natural gas and condensate which it sells to overseas customers, who may also be forced to bear some of the impost.

But the Government immediately struck back, threatening to take Woodside to the competition watchdog if it used the removal of the 24-year excise exemption on condensate — which it estimates will raise an

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## 'No justification' to pass on new tax

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additional \$2.5 billion over the next four years — as an excuse to raise costs for domestic gas customers.

Resources Minister Martin Ferguson said there was no justification for WA domestic gas prices to be affected because the move only affected the North-West Shelf project.

"The Pluto project is not affected in any way, nor are any other current or future gas supply sources in Western Australia," Mr Ferguson said.

"If the North-West Shelf were to raise prices on the basis of this claim, there would be a case for the ACCC to investigate."

It is understood that Woodside and the five other partners in the North-West Shelf project will have their profits cut by about \$100 million a

year each over the next four years as a result of the condensate tax.

Up until now, the Coalition was expected to begrudgingly support the tax, privately acknowledging there would be little voter sympathy for opposing increased taxes on the highly profitable oil and gas sector.

But Liberal support in the Senate has been thrown into doubt, with Opposition leader Brendan Nelson's WA colleagues advocating a harder line.

Liberal Senator Mathias Cormann said the condensate measure was always going to affect WA consumers hardest.

Shadow resources minister and fellow WA senator David Johnston said the condensate tax sent the wrong message to investors in such a capital-intensive industry.