



Media Release

Senator Mathias Cormann

Liberal Senator for Western Australia

16 July 2008

TAX INCREASE MEANS HIGHER GAS PRICES FOR WA CONSUMERS

A Senate inquiry has been told that Western Australians will inevitably face higher prices for gas as a result of the Rudd government's \$2.5billion tax hit on the North West Shelf Venture (NWSV).

The Senate Economics Committee had held hearings in Perth into the impacts of Canberra's decision to renege on a 31-year-old agreement which exempted the project from paying excise on condensate.

The Australian Petroleum Production and Exploration Association (APPEA) told the inquiry that the tax increase would increase costs for the NWSV partners who would be forced to look at options to make up the shortfall.

APPEA CEO Belinda Robinson told the inquiry:

"The North West Shelf is taking the hit and it's going to be up to them as to how they pass that through.

"The industry would have contracts. Those contracts can't be changed. So they've got long term contracts for the sale of their gas and I think that is a really important thing to remember with the gas industry, they are subject to long term contracts.

"So the options really are to take it on the chin, take it off your bottom line or to pass it through in your future contracts, so from here on in. And of course most companies are required to stick with their rates of return or their hurdle rates that are agreed through their boards, so that means there needs to be passed through in some way shape or form. "

Ms Robinson said changes to the taxation regime also affect the viability of new gas investments, impacting on the price of gas.

"So if the project is to go ahead, obviously the sales price of the products that you're selling will have to be higher because it's got to make up that difference."

Senator Cormann said the evidence is clear that gas prices will have to rise because of the new tax.

"Our gas exporters are locked into long term contracts which don't allow them to pass on this new tax impost.

"It will affect the price they can offer for future export contracts and diminish their competitiveness in a very tough market.

"The domestic market will ultimately be hit by higher gas prices because of this change.

"The Rudd government has deceitfully sold this \$2.5billion tax slug as a 'saving'. At the end of the day Western Australian families and businesses will pay the price."

Media Contact: Senator Cormann (08) 9325 4227 or 0411 874 546