

APPEA members who pay no income tax

Briefing note

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SUMMARY

Five of Australian Petroleum Production & Exploration Association's (APPEA) most prominent member companies have paid no income tax for at least the past seven years despite combined income from their Australian operations of \$138 billion.

A sixth company, Santos, paid just \$6 million on \$28.9 billion of income, and paid no income tax from 2015 to 2018 and in 2020.

None of the companies that own and operate Queensland's coal seam gas (CSG) liquefied natural gas (LNG) projects have paid any income tax on income earned on those projects to date.

Overall, the oil and gas industry in Australia paid \$1.7 billion of income tax in 2018/19 (the most recent year for which data is available) on \$110 billion of income (approx. 1.5 per cent).¹

Industry claims including by APPEA that gas projects would be contributing billions of dollars in federal taxes have not eventuated.

¹ ATO (2022) Taxation statistics 2018/19, Company Statistics, <https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Taxation-statistics/Taxation-statistics-2018-19/?page=7#Companydetailedtables>, Table 4, <https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Taxation-statistics/Taxation-statistics-2018-19/?page=7#Companydetailedtables>

DATA

The Australia Institute has used corporate tax transparency data published by the Australian Taxation office (ATO). A summary of the annual income and income tax paid by those companies for the period the ATO has published this data is shown in Tables 1 and 2 below.

Table 1: Income and income tax of selected APPEA member companies 2014-2020

| Selected APPEA member companies | Total income, 2014-2020 (\$ million) | Income tax paid, 2014-2020 (\$ million) |
|--|---|--|
| Arrow Energy | | |
| APLNG | | |
| Chevron | | |
| ExxonMobil | 137,955 | 6 |
| Santos Ltd | | |
| Senex | | |

Source: ATO (10 December 2021) Corporate tax transparency, <https://www.ato.gov.au/business/large-business/corporate-tax-transparency/>

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Table 2: Income and income tax of selected APPEA member companies 2014-2020 in detail

| | Income 2014 | Income tax 2014 | Income 2015 | Income tax 2015 | Income 2016 | Income tax 2016 | Income 2017 | Income tax 2017 | Income 2018 | Income tax 2018 | Income 2019 | Income tax 2019 | Income 2020 | Income tax 2020 | Total income | Total Income tax |
|--------------|----------------|-----------------------|----------------|-----------------------|----------------|-----------------------|----------------|-----------------------|----------------|-----------------------|----------------|-----------------------|----------------|-----------------------|-----------------|------------------------|
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Arrow | 293 | 0 | 208 | 0 | 207 | 0 | 231 | 0 | 617 | 0 | 338 | 0 | - | - | 1,894 | 0 |
| APLNG | 481 | 0 | 415 | 0 | 912 | 0 | 3,583 | 0 | 635 | 0 | 7,207 | 0 | 6,979 | 0 | 20,212 | 0 |
| Chevron | 3,032 | 0 | 3,088 | 0 | 2,142 | 0 | 2,239 | 0 | 5,274 | 0 | 11,986 | 0 | 15,934 | 0 | 43,695 | 0 |
| ExxonMobil | 9,617 | 0 | 8,464 | 0 | 6,729 | 0 | 8,361 | 0 | 9,234 | 0 | 13,293 | 0 | 15,550 | 0 | 71,248 | 0 |
| Santos Ltd | 4,357 | 3 | 3,389 | 0 | 3,476 | 0 | 3,715 | 0 | 3,498 | 0 | 5,322 | 3 | 5,014 | 0 | 28,771 | 6 |
| Senex | 220 | 0 | 154 | 0 | 143 | 0 | - | - | 123 | 0 | 141 | 0 | 125 | 0 | 906 | 0 |
| Total | 18,000 | 3 | 15,718 | 0 | 13,609 | 0 | 18,129 | 0 | 19,381 | 0 | 38,287 | 3 | 43,602 | 0 | 166,726 | 6 |



Source: ATO (2022) Taxation statistics 2018/19, Company Statistics, <https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Taxation-statistics/Taxation-statistics-2018-19/?page=7#Companydetailedtables>, Table 4, <https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Taxation-statistics/Taxation-statistics-2018-19/?page=7#Companydetailedtables>

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The lack of income tax paid contrasts with claims made by the industry when these companies were seeking approval for their projects

APPEA estimates of Commonwealth income tax revenue from Queensland coal seam gas LNG

In 2012 APPEA commissioned and published a report on the 'economic significance' of Coal Seam Gas (CSG) development in Queensland estimating that \$85 billion in Commonwealth Government income taxes would be paid over the life of the projects. The report includes a breakdown of these taxes by year.²

However, except for \$3 million paid by Santos in 2018, none of the companies involved in Queensland CSG LNG projects have paid income tax since LNG export began in 2015.³ Onshore gas projects in Australia are not subject to the other significant potential tax on oil and gas companies, the Petroleum Resource Rent Tax (PRRT).

There are three CSG LNG export projects in Queensland:

1. **Australia Pacific LNG (APLNG)** a joint venture between Origin (37.5 per cent), ConocoPhillips (37.5 per cent) and Sinopec (25 per cent).⁴
2. **Gladstone LNG** a joint venture between Santos (30 per cent), Petronas (27.5 per cent), Total (27.5 per cent) and Kogas (15 per cent).⁵
3. **Queensland Gas Company (QGC)** owned by Shell.⁶

Add to that the Arrow Energy project which produces CSG for the domestic market and for export and is owned by Shell and PetroChina (a subsidiary of CNPC).⁷

APLNG and Arrow are presented as single entities in the ATO data, and neither have paid any income tax since 2014 when the reporting began. Santos has paid no income tax since the commencement of GLNG in 2015 except for 2018 when it paid \$3 million. That \$3 million is not necessarily on income from GLNG, as Santos has several major oil and gas projects in Australia. Santos's joint venture partners in GLNG, Petronas and Kogas paid no income tax in the years included in the ATO data, and the other JV partner, TOTAL paid \$1.2 million in income tax in 2014,

² ACIL Tasman (June 2012) Economic significance of Coal Seam Gas in Queensland Final Report, (p.197) https://www.appea.com.au/wp-content/uploads/2013/05/120606_ACIL-qld-csg-final-report.pdf

³ ABC Rural (6 January 2015) First shipment of natural gas leaves Gladstone in Queensland bound for Asia, <https://www.abc.net.au/news/rural/2015-01-06/first-lng-from-csg-ship-leaves-queensland/6002446>

⁴ Asia Pacific LNG (2022) Who we are, <https://aplng.com.au/who-we-are/>

⁵ Petronas (2022) Our Global Portfolio of LNG Facilities, <https://www.petronas.com/our-business/gas-business/about-liquefied-natural-gas>

⁶ Shell (2022) Shell's QGC business, <https://www.shell.com.au/about-us/projects-and-locations/qgc.html>

⁷ Arrow Energy (2022) What we do, <https://www.arrowenergy.com.au/about-us/our-operations>

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but this was prior to GLNG first gas into the GLNG pipeline⁸ meaning it must relate to other interests. Shell also has many oil, gas and petroleum interests in Australia, and the ATO data does not disaggregate the tax paid for their QGC project. However, Shell have paid no income tax since it purchased QGC from BG Group in 2016. Prior to that, BG Group paid no income tax on the project.

⁸ Santos (14 October 2014) First gas into GLNG pipeline, <https://www.santos.com/news/first-gas-into-santos-glng-pipeline/>

Table 3: APPEA estimate of company income tax revenue from Queensland CSG LNG projects compared to actual.

| Year | APPEA estimate ⁹ | Arrow (Shell/PetroChina) ¹⁰ | Shell (Acquired QGC from BG group in 2016) | BG Group (Owners QGC prior to Shell acquisition in 2016) | APLNG (Origin/ConocoPhillips/Sinopec) ¹¹ | Santos (Operators and 20% share of GLNG) | Petronas (27.5% share of GLNG) | TotalEnergies Australia (25 per cent share of GLNG) | Kogas (15 % share of GLNG) |
|--------------|-----------------------------|--|--|--|---|--|--------------------------------|---|----------------------------|
| | \$ million | \$ million | \$ million | \$ million | \$ million | \$ million | \$ million | \$ million | \$ million |
| 2014 | 400 | 0 | N/A | 0 | 0 | 0 | N/A | N/A | N/A |
| 2015 | 800 | 0 | N/A | 0 | 0 | 0 | N/A | N/A | N/A |
| 2016 | 1,600 | 0 | 0 | N/A | 0 | 0 | N/A | N/A | N/A |
| 2017 | 2,000 | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A |
| 2018 | 2,000 | 0 | 0 | N/A | 0 | 0 | 0 | 0 | 0 |
| 2019 | 2,200 | 0 | 0 | N/A | 0 | 3 | 0 | 0 | 0 |
| 2020 | 2,200 | 0 | 0 | N/A | 0 | 0 | 0 | 0 | 0 |
| Total | 11,200 | 0 | 0 | 0 | 0 | 3 | 0 | 0 | 0 |

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Source: Australian Petroleum Production & Exploration Association (2012) *Economic significance of Coal Seam Gas in Queensland*, https://www.appea.com.au/wp-content/uploads/2013/05/120606_ACIL-ql-d-csg-final-report.pdf, Australian Taxation Office (2022) *Corporate Tax Transparency*, <https://data.gov.au/dataset/ds-dga-c2524c87-cea4-4636-acac-599a82048a26/details>

⁹ Australian Petroleum Production & Exploration Association (2012) *Economic significance of Coal Seam Gas in Queensland*, https://www.appea.com.au/wp-content/uploads/2013/05/120606_ACIL-ql-d-csg-final-report.pdf

¹⁰ Australian Taxation Office (2022) *Corporate Tax Transparency*, <https://data.gov.au/dataset/ds-dga-c2524c87-cea4-4636-acac-599a82048a26/details>

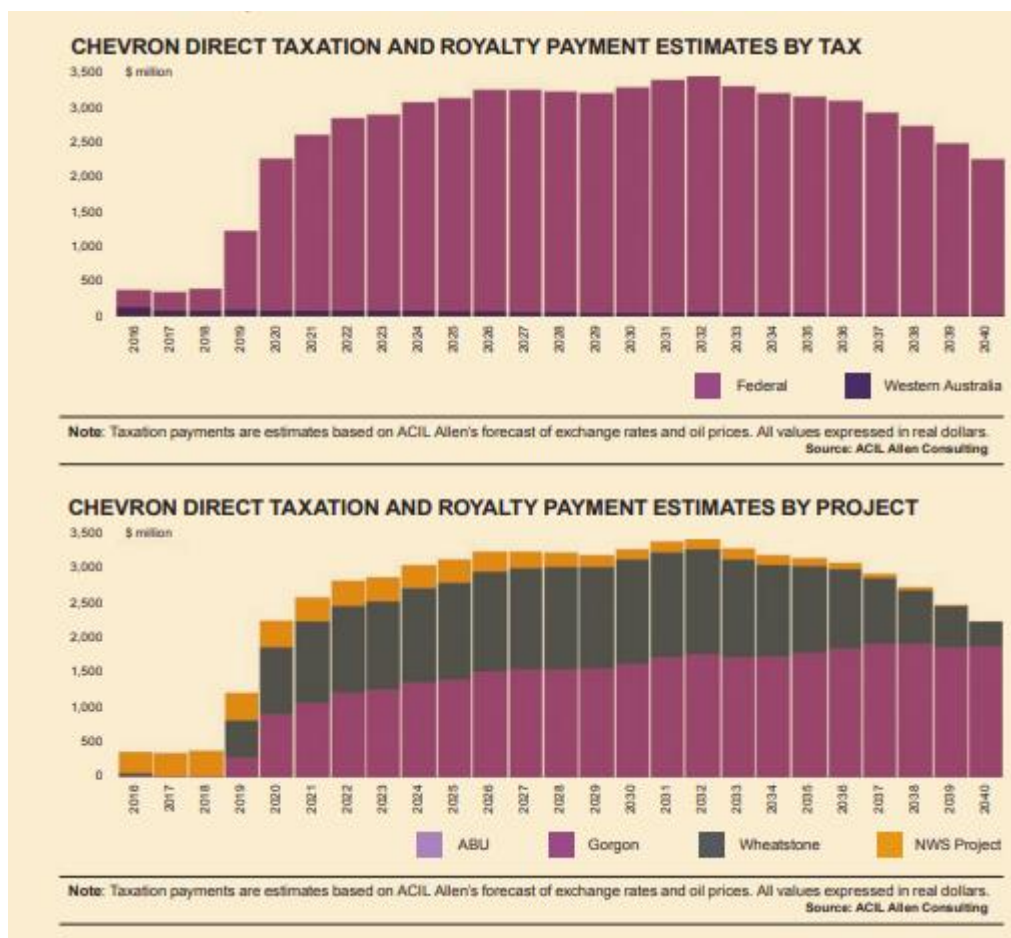
¹¹ Australian Taxation Office (2022) *Corporate Tax Transparency*, <https://data.gov.au/dataset/ds-dga-c2524c87-cea4-4636-acac-599a82048a26/details>

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Chevron

In 2015 Chevron published a report commissioned from ACIL Allen that claimed its Gorgon and Wheatstone projects would contribute \$110 billion to state and federal government revenue between 2009 and 2040. A chart, shown in Figure 2 below, shows Chevron’s “direct taxation and royalty estimates” by tax, broken down into federal and state taxes. The vast bulk of the revenue is to the federal government. The Gorgon and Wheatstone projects do not pay royalties to the federal government, and little if any to the Western Australian Government.¹²

Figure 1: Chevron direct taxation and royalty estimate chart



Source: ACIL Allen Consulting (2015) A snapshot of Chevron’s realised and forecast economic benefits in Australia, <https://australia.chevron.com/publicationsm>

¹² Carter and Campbell (January 2022) Gas-fired robbery Assessing the economic contribution of LNG to Western Australia, <https://australiainstitute.org.au/wp-content/uploads/2022/01/P1077-Gas-fired-robbery-WEB.pdf>

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The two major taxes that the project proponents could pay are income tax and PRRT. Chevron has paid neither during the period reported by the ATO. The claims made in the ACIL Allen paper are compared to the actual income and resource rent tax paid by Chevron in Table 4 below.

In 2017 Chevron was successfully prosecuted by the Australian Taxation Office. The amount in dispute was \$1.062 billion. The Full Federal Court decision resulted in Chevron settling with the ATO for an undisclosed sum.¹³ Note this was based on income (dating back to 2003) which is outside the period examined in this briefing note.

Table 4: Chevron estimate of federal tax compared to actual income and resource tax (PRRT) paid

| Year | Estimated federal tax ¹⁴ \$ million | Income tax paid ¹⁵ \$ million | PRRT paid \$ million |
|--------------|---|---|-------------------------|
| 2016 | 200 | 0 | N/A |
| 2017 | 200 | 0 | 0 |
| 2018 | 240 | 0 | 0 |
| 2019 | 1200 | 0 | 0 |
| 2020 | 2,200 | 0 | 0 |
| Total | 4,040 | 0 | 0 |



ACIL Allen Consulting (2015) A snapshot of Chevron’s realised and forecast economic benefits in Australia, <https://australia.chevron.com/publicationsm>, Australian Taxation Office (2022) *Corporate Tax Transparency*, <https://data.gov.au/dataset/ds-dga-c2524c87-cea4-4636-acac-599a82048a26/details>

Shell

In 2013 Shell claimed that its Prelude floating LNG project would pay \$12 billion in taxes over the life of the project.¹⁶ Shell has since acknowledged it will never pay PRRT¹⁷ and as shown in Table 1 above, has paid no income tax since 2015.

¹³ Mather (2017) Chevron abandons High Court appeal bid against ATO <https://www.afr.com/policy/tax-and-super/chevron-abandons-high-court-appeal-bid-against-ato-20170818-gxz52c>

¹⁴ ACIL Allen Consulting (2015) *A snapshot of Chevron’s realised and forecast economic benefits in Australia*, <https://australia.chevron.com/publications>

¹⁵ Australian Taxation Office (2022) *Corporate Tax Transparency*, <https://data.gov.au/dataset/ds-dga-c2524c87-cea4-4636-acac-599a82048a26/details>

¹⁶ Validakis (July 2013) Prelude project will inject \$45bn to Australian economy: Shell <https://www.australianmining.com.au/news/prelude-project-will-inject-45bn-to-australian-economy-shell/>

¹⁷ Milne (April 2021) Shell expects to pay Australia no resource tax on gas drawn from Gorgon project <https://www.theguardian.com/business/2021/apr/12/shell-expects-to-pay-australia-no-resource-tax-on-gas-drawn-from-gorgon-project>

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