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Committee Secretary
Economics and Governance Committee
Parliament House
George Street
Brisbane QLD 4000

(via email: egc@parliament.qld.gov.au)

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Dear Committee Secretary,

ECONOMICS AND GOVERNANCE INQUIRY INTO THE ROYALTY LEGISLATION AMENDMENT BILL 2020 – WESTSIDE SUBMISSIONS

BACKGROUND

Westside is an oil and gas producer, operating in Queensland's Bowen Basin since 2010. Westside holds a 51% operating interest in Greater Meridian, a producing field covering 1,025 km² of contiguous land held in joint venture with Mitsui E&P Australia Pty Ltd. Westside is a key Queensland gas industry participant, with management of sales of over 15 PJ per annum and an externally verified 2P reserves position in excess of 1 TCF.

Westside has furthered its commitment to developing gas assets in Queensland after recently being awarded an exploration permit covering a 750km² area in the southern Bowen Basin in a 50-50 joint venture with Australia Pacific LNG Pty Ltd (APLNG).

We undertake our activities with a strong focus on safety and provide significant employment and wider benefits to local communities.

WESTSIDE'S CONTRIBUTION TO THE CONSULTATION PROCESS TO DATE

As a mid-tier gas company, Westside understands it is our responsibility to provide an economic contribution to Queensland in return for the utilisation of its non-renewable resource. Westside has therefore actively contributed into the process run by Office of State Revenue (OSR) in its efforts to create a more efficient royalty regime.

Westside has previously made a submission to the OSR, which sought further clarification on critical matters and outlined several suggestions and recommendations which we consider improves the new royalty regime for all industry participants whilst ensuring Government objectives are achieved.

Westside has appreciated the feedback provided by the OSR to date on its own and industries' input into the process. A key matter that has been satisfactorily addressed was the exclusion of GST in the sales price and it appears likely that swaps (utilized to 'transport' gas) will be looked through to determine the ultimate customer for royalty determination purposes.

ITEMS FOR CONSIDERATION BY THE ECONOMIC COMMITTEE

Westside would like to raise two key matters that we consider worthy of further consideration by the Economic Committee:

- i. consistency in the royalty rates between supply gas and project gas; and
- ii. addressing the lack of public information available about a specific methodology for measuring/determining the volumes of petroleum produced, a fundamental input into the volume model proposed.

Consistency in the royalty rates between Supply Gas and Project Gas

Firstly, Westside acknowledges and supports the intention of the OSR to provide discounted royalty rates for domestic gas sales, as Westside recognises the importance of encouraging domestic supply for Australian industry and energy generation.

With regard Gas royalty rates, Westside encourages Government to consider greater consistency in the tiers applicable to 'Domestic Gas' and the 'Supply Gas' classifications with what is included in the Bill for 'Project Gas'. That is applying tiers of: \$0-\$5, \$5-\$10, >\$10 or similar values. In this scenario Westside suggests that the rates currently proposed for each of the classifications apply to each of the three tiers, for example with respect to Domestic Gas:

Domestic Gas revenue divided by volume	Royalty payable per GJ
Less than \$5 per GJ	0.02c per GJ for each 1c/GJ more than \$0/GJ
\$5 per GJ or more but less than \$10per GJ	18c per GJ plus 0.08c/GJ for each 1c/GJ more than \$9/GJ
\$10 per GJ or more	58c per GJ plus 0.10c/GJ for each 1c/GJ more than \$14/GJ

Adopting this tier structure or similar values for both 'Domestic Gas' and 'Supply Gas' supports equity across the industry for all producers and simplicity in the taxation regime, both key Government objectives. For the avoidance of doubt Westside is not proposing to amend the tax rates relevant to each tier.

Measuring Volume

Westside considers it challenging to be prepared for the implementation of a new royalty regime commencing in the fourth quarter of 2020 without immediately addressing a key input into the model, being the method for measuring/determining the volumes of petroleum produced.

As previously submitted, Westside considers the most accurate approach to determining gas produced at the well head (point of production) must adopt the following methodology:

- i. Measure the gas at the custody transfer meter (sales point) as this is the most accurate measuring point in the field; and
- ii. Employ a mass balance allocation methodology, which considers other metering points across the field to incorporate the impact of gas usages including fuel, flare and losses. This ideally is performed through the assistance of a specialist software-based solution.

The approach proposed by Westside is the most reliable and accurate approach to determining the gas produced at the well head. Importantly, Westside considers this approach aligns key business requirements of (1) an accurate custody transfer (the sales point) with the customer or agent and (2) relevant capture of total gas produced at the well head.

To best understand the additional gas used in the field prior to the sales point Westside considers the emphasis should be on the reliability of the allocation methodology, which includes a software-based approach as opposed to the emphasis being placed on the accuracy of the metering across the field. This is due to the cost associated with maintaining meter accuracy across the field to reliably measure the gas produced to the relevant level of accuracy required.

APPEA submission to the Economic Committee

Westside acknowledges the contribution and submissions made by APPEA (the industry body and representative of petroleum producers in Queensland and Australia) to date and confirms it has contributed to the conversation and broadly supports the APPEA submission. Westside has deliberately limited discussion in this submission to remove duplication between submissions.

CONCLUDING REMARKS

We thank the Economic Committee for the invitation to provide our position on the proposed *Royalty Legislation Amendment Bill*. We would welcome the opportunity to discuss this further with the Economic Committee, given Westside's industry perspective as a mid-tier gas producer that has invested heavily in Queensland over the last five years.

Yours sincerely,



Brendan Madden
Chief Financial Officer
Westside Corporation Pty Ltd